



Modimolle Local Municipality
Financial statements
for the year ended 30 June, 2016

Modimolle Local Municipality

Financial Statements for the year ended 30 June, 2016

General Information

Legal form of entity

Local Municipality

Nature of business and principal activities

Modimolle Local Municipality was established in terms of Section 12 of the Municipal Structures Act (112 of 1998). The establishment notice provides for the services that the municipality is obliged to render. These include basic services such as provision of electricity, water services and sanitation. The notice provides the total list of all services and competencies.

Members of Council

Mayor

Councillors

Cllr. KE Lekalakala

Cllr. SA Sebolai (Speaker)

Cllr. NG Mashitsho (Chief Whip)

Cllr. MP Kekana (Exco Member)

Cllr. G Ferreira (Exco Member)

Cllr. MF Marutha (Chairperson: Social Services)

Cllr. MS Olifant (Chairperson: Corporate Portfolio)

Cllr. MC Laubscher

Cllr. RP Mashaba (Chairperson: MPAC)

Cllr. MS Motshegoa (Chairperson: Planning)

Cllr. NG Mojela (Chairperson: Technical Services)

Cllr. MP Nyama

Cllr. J Nel

Cllr. WL Botes (Chairperson: Budget and Treasury)

Cllr. SJ Moropene

Cllr. NA Khanya

Cllr. MS Ledwaba

Cllr. SP Sebelebele

Grading of local authority

3

Accounting Officer

Mr. NS Bambo

Acting Chief Finance Officer (CFO)

Mr. MM Lekalakala

Registered office

Harry Gwala Street
OR Tambo Square
Modimolle
0510

Business address

Harry Gwala Street
OR Tambo Square
Modimolle
0510

Postal address

Private Bag X 1008
Modimolle
0510

Bankers

Standard Bank

Auditors

Auditor General

Modimolle Local Municipality

Financial Statements for the year ended 30 June, 2016

General Information

Internal Audit Committee

Mr. SBA Ngobeni (Chairperson)

Mr. PS Ramalepe

Mr. MA Mashego

Modimolle Local Municipality

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
EXCO	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
VAT	Value Added Tax

Modimolle Local Municipality

Financial Statements for the year ended 30 June, 2016

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and was given unrestricted access to all financial records and related data.

The financial statements have been prepared in accordance with the South Africa Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's senior managers.

The external auditors are responsible for independently reviewing and reporting on the municipality's financial statements.

The financial statements set out on pages 6 to 77, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August, 2016 and were signed on its behalf by:

Accounting Officer
NS Bambo

Modimolle Local Municipality

Financial Statements for the year ended 30 June, 2016

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June, 2016.

1. Review of activities

Main business and operations

The municipality is engaged in providing services in terms of Section 12 of the Municipal Systems Act and operates in the Limpopo province in South Africa.

Net deficit of the municipality was R 23,720,378 (2015: deficit R 31,569,116).

2. Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. Subsequent events

The accounting officer is aware of the following matters or circumstance arising since the end of the financial year.

The municipal elections were held on 3 August 2016, the results were declared on 10 August 2016 and the inaugural session of Council was held on 23 August 2016

With this years election Modimolle Local Municipality and Mookgopong Local Municipality merged to form the new municipality provisionally called LIM368 Local Municipality.

4. Submission of annual financial statements

The financial statements were submitted on 31 August 2016. The municipality complied with the requirements of section 126 of the Municipal Finance Management Act..

5. Accounting policies

The financial statements were prepared in accordance with the Generally Recognised Accounting Practice (GRAP), including any interpretations of such Statements issued by the Accounting Standards Board.

6. Corporate governance

General

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer strives to support the highest standards of corporate governance and the ongoing development of best practice.

Municipal Council

The Council:

- retains full control over the municipality, its plans and strategy;
- acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the municipality;

Remuneration

The remuneration of the Accounting Officer and managers directly accountable to the Accounting Officer are determined by the Municipal Systems Act - Total Remuneration Packages payable to Municipal Manager and managers directly accountable to the Municipal Manager.

Executive meetings

The Executive Committee of Council holds its meetings monthly. Its meetings are preceded by Management meetings attended by senior managers.

Modimolle Local Municipality

Financial Statements for the year ended 30 June, 2016

Accounting Officer's Report

Audit and risk committee

In terms of Section 166 of the Municipal Finance Management Act, the municipality, must appoint members of the Audit Committee. National Treasury policy requires that municipalities should appoint further members of the audit committees who are not councillors of the municipality onto the audit committee.

For the financial year under review, the chairperson of the audit committee was Mr SBA Ngobeni, who is an independent audit committee member. Other members of the Committee are: Mr. PS Ramalepe and Mr. MA Mashego. Mr KTE Seletela resigned in November 2015.

Internal audit

The municipality has its own internal audit function. This is in compliance with the Municipal Finance Management Act, 2003

The Head Internal Auditor is Mr. D Matsetela.

7. Bankers

The Municipalities primary bank account is with Standard Bank.

8. Auditors

Auditor General will continue to audit the next financial period.

9. Fruitless and Wasteful Expenditure

During the current financial year payments to the value of R2 403 346 were regarded as fruitless and wasteful expenditure. This is due to the late payment of invoices to Eskom, Telkom, Magalies Water, SARS and Sheriffs Office.

Modimolle Local Municipality

Financial Statements for the year ended 30 June, 2016

Statement of Financial Position as at 30 June, 2016

Figures in Rand		2016	2015 Restated*
Assets			
Current Assets			
Inventories	11	3,743,523	6,360,412
Receivables from exchange transactions	12	107,399,591	77,379,825
Receivables from non-exchange transactions	13	29,972,363	24,791,073
Investments	9	900,000	4,056,573
Current Receivables	10	354,867	334,651
Cash and cash equivalents	14	29,656,183	13,578,292
		172,026,527	126,500,826
Non-Current Assets			
Investment property	4	6,494,251	6,494,251
Property, plant and equipment	5	884,630,908	895,142,506
Intangible assets	6	2,585,847	2,727,843
Heritage assets	7	826	826
Investments	9	119,089	117,955
		893,830,921	904,483,381
Total Assets		1,065,857,448	1,030,984,207
Liabilities			
Current Liabilities			
Other financial liabilities	16	276,908	394,193
Finance lease obligation	17	-	1,451,416
Payables from exchange transactions	20	107,283,335	67,533,887
VAT payable	21	30,889,985	30,139,824
Consumer deposits	22	3,854,940	3,767,170
Employee benefit obligation	8	786,468	751,428
Unspent conditional grants and receipts	18	20,074,465	1,685,578
Provisions	19	788,596	613,119
		163,954,697	106,336,615
Non-Current Liabilities			
Other financial liabilities	16	150,942	981,567
Employee benefit obligation	8	31,882,517	29,143,750
Provisions	19	38,183,189	39,115,793
		70,216,648	69,241,110
Total Liabilities		234,171,345	175,577,725
Net Assets		831,686,103	855,406,482
Reserves			
Housing Development Fund	15	483,263	483,263
Accumulated surplus		831,202,840	854,923,219
Total Net Assets		831,686,103	855,406,482

* See Note 2 & 43

Modimolle Local Municipality

Financial Statements for the year ended 30 June, 2016

Statement of Financial Performance

Figures in Rand	Note(s)	2016	2015 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	25	152,057,135	133,533,826
Rental of facilities and equipment	37	181,396	190,320
Interest received (trading)		13,484,923	9,201,453
Agency services		566,106	1,545,309
Fair Value of Shares		1,134	4,234
Other income	28	5,145,121	7,898,917
Interest received - investment	32	1,184,448	1,768,997
Total revenue from exchange transactions		172,620,263	154,143,056
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	24	29,100,733	30,372,063
Transfer revenue			
Government grants & subsidies	26	106,948,113	108,641,143
Fines, Penalties and Forfeits		152,770	107,995
Total revenue from non-exchange transactions		136,201,616	139,121,201
Total revenue	23	308,821,879	293,264,257
Expenditure			
Employee Related Costs	30	(107,522,967)	(107,549,395)
Remuneration of councillors	31	(6,665,105)	(6,342,157)
Depreciation and amortisation	33	(38,047,470)	(48,946,426)
Impairment loss/ Reversal of impairments	34	(8,763,658)	(478,776)
Finance costs	35	(3,789,499)	(3,017,959)
Debt Impairment		(10,569,042)	(17,695,393)
Repairs and maintenance		(7,016,863)	(9,175,573)
Bulk purchases	39	(107,599,043)	(84,677,106)
Contracted services	38	(11,646,625)	(10,298,822)
General Expenses	29	(29,799,568)	(35,762,187)
Total expenditure		(331,419,840)	(323,943,794)
Operating deficit		(22,597,961)	(30,679,537)
(Loss) gain on disposal of assets and liabilities		(22,370)	1,917
Inventories: Write Down		(1,100,047)	(891,496)
		(1,122,417)	(889,579)
Deficit for the year		(23,720,378)	(31,569,116)

* See Note 2 & 43

Modimolle Local Municipality

Financial Statements for the year ended 30 June, 2016

Statement of Changes in Net Assets

Figures in Rand	Housing Development fund	Accumulated surplus	Total net assets
Opening balance as previously reported	483,263	884,442,690	884,925,953
Adjustments			
Prior year adjustments	-	2,049,645	2,049,645
Balance at 01 July, 2014 as restated*	483,263	886,492,335	886,975,598
Changes in net assets			
Surplus for the year	-	(31,569,116)	(31,569,116)
Total changes	-	(31,569,116)	(31,569,116)
Restated* Balance at 01 July, 2015	483,263	854,923,218	855,406,481
Changes in net assets			
Surplus for the year	-	(23,720,378)	(23,720,378)
Total changes	-	(23,720,378)	(23,720,378)
Balance at 30 June, 2016	483,263	831,202,840	831,686,103
Note(s)	15		

* See Note 2 & 43

Modimolle Local Municipality

Financial Statements for the year ended 30 June, 2016

Cash Flow Statement

Figures in Rand	Note(s)	2016	2015 Restated*
Cash flows from operating activities			
Receipts			
Property Rates		23,919,443	21,998,679
Sale of goods and services		110,692,642	104,611,674
Grants		126,853,000	87,027,934
Interest income		1,184,448	1,768,997
Other receipts		5,419,380	40,210,948
Interest Earned - Outstanding Receivables		3,178,105	2,192,041
Fines		25,680	107,995
Licences and Permit		1,912,120	3,941,305
Rental of Facilities and Equipment		181,396	190,320
		<u>273,366,214</u>	<u>262,049,893</u>
Payments			
Employee costs		(105,608,671)	(99,438,195)
Remuneration of Councillors		(6,665,105)	(6,342,157)
Finance costs		(249,906)	(431,806)
Other payments		(29,049,407)	(15,571,911)
Repair and Maintenance		(7,016,863)	(9,494,450)
Contracted Services		(10,101,174)	(9,434,025)
Bulk Purchases		(61,908,001)	(79,031,294)
		<u>(220,599,127)</u>	<u>(219,743,838)</u>
Net cash flows from operating activities	40	<u>52,767,087</u>	<u>42,306,055</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(37,623,724)	(60,360,644)
Proceeds from sale of property, plant and equipment	5	198,631	198,631
Purchase of investment property	4	-	(919,000)
Purchase of investments		-	(455,807)
Proceeds from sale of investments		3,155,439	-
Purchase of other receivables		(20,216)	-
Net cash flows from investing activities		<u>(34,289,870)</u>	<u>(61,536,820)</u>
Cash flows from financing activities			
Repayment of other financial liabilities		(947,910)	(394,140)
Movement in other liability		-	(378,057)
Finance lease payments		(1,451,416)	(1,187,523)
Net cash flows from financing activities		<u>(2,399,326)</u>	<u>(1,959,720)</u>
Net increase/(decrease) in cash and cash equivalents		16,077,891	(21,190,485)
Cash and cash equivalents at the beginning of the year		13,578,292	34,768,777
Cash and cash equivalents at the end of the year	14	<u>29,656,183</u>	<u>13,578,292</u>

* See Note 2 & 43

Modimolle Local Municipality

Financial Statements for the year ended 30 June, 2016

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Statement of Financial Performance

Revenue

Revenue by source

Property rates	31,800,000	(1,470,000)	30,330,000	29,100,733	(1,229,267)	Note 51
Service charges	160,310,000	500,000	160,810,000	152,057,135	(8,752,865)	
Investment revenue	2,212,000	(1,612,000)	600,000	1,184,448	584,448	
Transfers recognised - operational	65,121,751	-	65,121,751	64,863,780	(257,971)	
Other own revenue	21,034,935	6,000,000	27,034,935	19,531,448	(7,503,487)	
Total Revenue (excluding capital transfers and contributions)	280,478,686	3,418,000	283,896,686	266,737,544	(17,159,142)	

Expenditure by type

Employee costs	(118,340,624)	1,354,551	(116,986,073)	(108,657,766)	8,328,307	Note 51
Remuneration of councillors	(6,643,200)	34,550	(6,608,650)	(6,665,105)	(56,455)	
Debt impairment	(15,900,000)	(5,000,000)	(20,900,000)	(10,569,042)	10,330,958	
Depreciation & asset impairment	(32,439,238)	(22,800,383)	(55,239,621)	(46,811,128)	8,428,493	
Finance charges	(3,682,000)	22,000	(3,660,000)	(3,789,499)	(129,499)	
Materials and bulk purchases	(111,262,978)	1,327,425	(109,935,553)	(114,611,857)	(4,676,304)	
Other expenditure	(47,470,829)	846,908	(46,623,921)	(41,437,866)	5,186,055	
Total expenditure	(335,738,869)	(24,214,949)	(359,953,818)	(332,542,263)	27,411,555	
Surplus/(Deficit)	(55,260,183)	(20,796,949)	(76,057,132)	(65,804,719)	10,252,413	
Transfers recognised - capital	31,731,250	30,000,000	61,731,250	42,084,333	(19,646,917)	
Surplus/(Deficit) after capital transfers & contributions	(23,528,933)	9,203,051	(14,325,882)	(23,720,386)	(9,394,504)	
Surplus/(Deficit) for the year	(23,528,933)	9,203,051	(14,325,882)	(23,720,386)	(9,394,504)	

Reconciliation

Format and classification differences

Employee Related Cost	(1,134,796)
Materials and bulk purchases	4,049
General Expenditure	1,130,747
Actual Amount in the Statement of Financial Performance	(23,720,386)

The accounting policies on pages 18 to 36 and the notes on pages 37 to 77 form an integral part of the financial statements.

Modimolle Local Municipality

Financial Statements for the year ended 30 June, 2016

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2016											
Financial Performance											
Property rates	31,800,000	(1,470,000)	30,330,000	-		30,330,000	29,100,733		(1,229,267)	96 %	92 %
Service charges	160,310,000	500,000	160,810,000	-		160,810,000	152,057,135		(8,752,865)	95 %	95 %
Investment revenue	2,212,000	(1,612,000)	600,000	-		600,000	1,184,448		584,448	197 %	54 %
Transfers recognised - operational	65,121,751	-	65,121,751	-		65,121,751	64,863,780		(257,971)	100 %	100 %
Other own revenue	21,034,935	6,000,000	27,034,935	-		27,034,935	19,531,450		(7,503,485)	72 %	93 %
Total revenue (excluding capital transfers and contributions)	280,478,686	3,418,000	283,896,686	-		283,896,686	266,737,546		(17,159,140)	94 %	95 %
Employee costs	(118,340,624)	1,354,551	(116,986,073)	-	-	(116,986,073)	(108,657,765)	-	8,328,308	93 %	92 %
Remuneration of councillors	(6,643,200)	34,550	(6,608,650)	-	-	(6,608,650)	(6,665,105)	56,455	(56,455)	101 %	100 %
Debt impairment	(15,900,000)	(5,000,000)	(20,900,000)			(20,900,000)	(10,569,042)	-	10,330,958	51 %	66 %
Depreciation and asset impairment	(32,439,238)	(22,800,383)	(55,239,621)			(55,239,621)	(46,811,128)	-	8,428,493	85 %	144 %
Finance charges	(3,682,000)	22,000	(3,660,000)	-	-	(3,660,000)	(3,789,499)	129,499	(129,499)	104 %	103 %
Materials and bulk purchases	(111,262,978)	1,327,425	(109,935,553)	-	-	(109,935,553)	(114,611,858)	8,547,168	(4,676,305)	104 %	103 %
Other expenditure	(47,470,829)	846,908	(46,623,921)	-	-	(46,623,921)	(41,437,866)	1,122,417	5,186,055	89 %	87 %
Total expenditure	(335,738,869)	(24,214,949)	(359,953,818)	-	-	(359,953,818)	(332,542,263)	9,855,539	27,411,555	92 %	99 %
Surplus/(Deficit)	(55,260,183)	(20,796,949)	(76,057,132)	-		(76,057,132)	(65,804,717)		10,252,415	87 %	119 %

Modimolle Local Municipality

Financial Statements for the year ended 30 June, 2016

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	31,731,250	30,000,000	61,731,250	-		61,731,250	42,084,333		(19,646,917)	68 %	133 %
Surplus (Deficit) after capital transfers and contributions	(23,528,933)	9,203,051	(14,325,882)	-		(14,325,882)	(23,720,384)		(9,394,502)	166 %	101 %
Surplus/(Deficit) for the year	(23,528,933)	9,203,051	(14,325,882)	-		(14,325,882)	(23,720,384)		(9,394,502)	166 %	101 %
Capital expenditure and funds sources											
Total capital expenditure	31,936,250	31,033,000	62,969,250	-		62,969,250	37,429,010		(25,540,240)	59 %	117 %
Sources of capital funds											
Transfers recognised - capital	31,731,250	30,000,000	61,731,250	-		61,731,250	37,413,020		(24,318,230)	61 %	118 %
Internally generated funds	205,000	1,033,000	1,238,000	-		1,238,000	15,990		(1,222,010)	1 %	8 %
Total sources of capital funds	31,936,250	31,033,000	62,969,250	-		62,969,250	37,429,010		(25,540,240)	59 %	117 %

Modimolle Local Municipality

Financial Statements for the year ended 30 June, 2016

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from (used) operating	32,403,839	31,278,560	63,682,399	-		63,682,399	52,767,087		(10,915,312)	83 %	163 %
Net cash from (used) investing	(31,936,260)	(27,920,462)	(59,856,722)	-		(59,856,722)	(34,289,870)		25,566,852	57 %	107 %
Net cash from (used) financing	(1,324,643)	(974,700)	(2,299,343)	-		(2,299,343)	(2,399,326)		(99,983)	104 %	181 %
Net increase/(decrease) in cash and cash equivalents	(857,064)	2,383,398	1,526,334	-		1,526,334	16,077,891		14,551,557	1,053 %	(1,876)%
Cash and cash equivalents at the beginning of the year	17,627,761	(4,166,469)	13,461,292	-		13,461,292	13,578,292		117,000	101 %	77 %
Cash and cash equivalents at year end	16,770,697	(1,783,071)	14,987,626	-		14,987,626	29,656,183		(14,668,557)	198 %	177 %

Modimolle Local Municipality

Financial Statements for the year ended 30 June, 2016

Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
2015				
Financial Performance				
Property rates				30,372,063
Service charges				133,533,826
Investment revenue				1,768,997
Transfers recognised - operational				64,015,703
Other own revenue				18,950,145
Total revenue (excluding capital transfers and contributions)				248,640,734
Employee costs	-	-	-	(107,549,395)
Remuneration of councillors	-	-	-	(6,342,157)
Debt impairment	-	-	-	(17,695,393)
Depreciation and asset impairment	-	-	-	(49,425,202)
Finance charges	-	-	-	(3,017,959)
Materials and bulk purchases	-	-	-	(84,677,106)
Other expenditure	-	-	-	(56,128,078)
Total expenditure	-	-	-	(324,835,290)
Surplus/(Deficit)				(76,194,556)
Transfers recognised - capital				44,625,440
Surplus (Deficit) after capital transfers and contributions				(31,569,116)
Surplus/(Deficit) for the year				(31,569,116)

Modimolle Local Municipality

Financial Statements for the year ended 30 June, 2016

Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
Capital expenditure and funds sources				
Total capital expenditure				41,211,687
Sources of capital funds				
Transfers recognised - capital				40,052,188
Internally generated funds				3,603,576
Total sources of capital funds				43,655,764
Cash flows				
Net cash from (used) operating				42,306,055
Net cash from (used) investing				(61,536,820)
Net cash from (used) financing				(1,959,720)
Net increase/(decrease) in cash and cash equivalents				(21,190,485)
Cash and cash equivalents at the beginning of the year				34,768,777
Cash and cash equivalents at year end				13,578,292

Modimolle Local Municipality

Financial Statements for the year ended 30 June, 2016

Accounting Policies

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

1.1 Presentation currency

These financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Mergers

Definitions

Carrying amount of an asset or liability is the amount at which an asset or liability is recognised in the statement of financial position.

Combined municipality is a new reporting entity formed from the combination of two or more entities.

Combining entities are the entities that are combined for the mutual sharing of risks and benefits in a merger.

Control is the power to govern the financial and operating policies of another municipality so as to benefit from its activities.

A merger is the establishment of a new combined municipality in which none of the former entities obtain control over any other and no acquirer can be identified.

Merger date is the date on which entities are combined for the mutual sharing of risks and benefits and when the assets and liabilities are transferred to the combined municipality.

A transfer of functions is the reorganisation and/or the re-allocation of functions between entities by transferring functions between entities or into another municipality.

A merger is the establishment of a new combined municipality in which none of the former entities obtains control over any other and no acquirer can be identified. As no acquirer can be identified, a merger does not result in an municipality having or obtaining control over any of the entities that are involved in the transaction or event, as the combining entities are not controlled entities of each other, either before or after the merger.

Identifying the combined entity and combining entities

For each merger a combined municipality and combining entities is identified. All relevant facts and circumstances are considered in identifying the combined municipality and combining municipality.

The binding arrangement usually sets out which entities are to be combined as a result of the merger, and identifies the new reporting municipality after the merger.

Determining the merger date

The combined municipality and the combining entities identify the merger date, which is the date on which the new reporting municipality obtains control of the assets and liabilities and the combining entities loses control of their assets and liabilities.

All relevant facts and circumstances are considered in identifying the merger date.

Modimolle Local Municipality

Financial Statements for the year ended 30 June, 2016

Accounting Policies

1.2 Mergers (continued)

Accounting by entity as the combining entity

Assets transferred and liabilities de-recognised

As of the merger date, the municipality as the combining entity transfer and de-recognise from its financial statements, all the assets and liabilities de-recognised at their carrying amounts.

Until the merger date, the municipality continues to measure these assets and liabilities in accordance with applicable Standards of GRAP.

The difference between the carrying amounts of the assets transferred and the liabilities de-recognised are recognised in accumulated surplus or deficit.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

Trade receivables and receivables

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to debtors balances in the portfolio and scaled to the estimated loss emergence period.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 19 - Provisions.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 8.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows in terms of GRAP 104.61 - 63.

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

Modimolle Local Municipality

Financial Statements for the year ended 30 June, 2016

Accounting Policies

1.4 Investment property (continued)

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the municipality is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Modimolle Local Municipality

Financial Statements for the year ended 30 June, 2016

Accounting Policies

1.5 Property, plant and equipment (continued)

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Buildings	Straight line	5-80
Operational Buildings	Straight line	5-80
Plant and machinery	Straight line	5-12
Furniture and fixtures	Straight line	3-7
General Motor vehicles	Straight line	5
Office equipment	Straight line	3-7
Housing	Straight line	5-80
Community Facility	Straight line	7-100
Sport and Recreational	Straight line	7-100
Electricity network	Straight line	4-100
Road and storm water network	Straight line	4-100
Wastewater network	Straight line	4-100
Water network	Straight line	4-100

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the municipality to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

Modimolle Local Municipality

Financial Statements for the year ended 30 June, 2016

Accounting Policies

1.6 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the municipality intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Electricity Servitudes	indefinite
Sanitation Servitudes	indefinite
Storm Water Servitudes	indefinite
Water Servitudes	indefinite
Computer software, other	3 years

Modimolle Local Municipality

Financial Statements for the year ended 30 June, 2016

Accounting Policies

1.7 Financial instruments

Classification

The entity classifies financial assets and financial liabilities into the following categories:

- Investment
- Cash and cash equivalents
- Loans and receivables
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition.

Initial recognition and measurement

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments.

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Subsequent measurement

Loans, receivables and investments are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Receivables from exchange transactions

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

Payables from exchange transactions

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Modimolle Local Municipality

Financial Statements for the year ended 30 June, 2016

Accounting Policies

1.7 Financial instruments (continued)

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

Receivables from non-exchange transactions

Receivables are initially measured at fair value and are subsequently measured at amortised cost using the effective interest rate method.

Held to maturity

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in surplus or deficit when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the municipality has the positive intention and ability to hold to maturity are classified as held to maturity.

1.8 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the municipality assesses the classification of each element separately.

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Modimolle Local Municipality

Financial Statements for the year ended 30 June, 2016

Accounting Policies

1.8 Leases (continued)

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.9 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.10 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented municipality.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

Modimolle Local Municipality

Financial Statements for the year ended 30 June, 2016

Accounting Policies

1.10 Impairment of cash-generating assets (continued)

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

1.11 Impairment of non-cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented municipality.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Modimolle Local Municipality

Financial Statements for the year ended 30 June, 2016

Accounting Policies

1.11 Impairment of non-cash-generating assets (continued)

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.12 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

1.13 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Modimolle Local Municipality

Financial Statements for the year ended 30 June, 2016

Accounting Policies

1.13 Employee benefits (continued)

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the municipality during a reporting period, the municipality recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the municipality expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one municipality, on the basis that contribution and benefit levels are determined without regard to the idmunicipality of the municipality that employs the employees concerned.

Modimolle Local Municipality

Financial Statements for the year ended 30 June, 2016

Accounting Policies

1.13 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the municipality recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The municipality account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the reporting date.

Modimolle Local Municipality

Financial Statements for the year ended 30 June, 2016

Accounting Policies

1.13 Employee benefits (continued)

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Modimolle Local Municipality

Financial Statements for the year ended 30 June, 2016

Accounting Policies

1.13 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
 - those changes were enacted before the reporting date; or
 - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Termination benefits

The entity recognises termination benefits as a liability and an expense when the municipality is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the municipality has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

1.14 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Modimolle Local Municipality

Financial Statements for the year ended 30 June, 2016

Accounting Policies

1.14 Provisions and contingencies (continued)

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 42.

1.15 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from the sale of prepaid electricity is recognised from the point of sale. It is estimated that prepaid electricity is consumed within nine (9) days after purchase, due to system limitations which does not allow the municipality an option to draw a report on actuals on the prepaid meters of consumers. Prepaid electricity sold but presumed to be unused at year-end is disclosed as payables from exchange transaction.

Modimolle Local Municipality

Financial Statements for the year ended 30 June, 2016

Accounting Policies

1.15 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

Interest, royalties and dividends

Revenue arising from the use by others of municipality assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.16 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another municipality in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Modimolle Local Municipality

Financial Statements for the year ended 30 June, 2016

Accounting Policies

1.16 Revenue from non-exchange transactions (continued)

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting municipality.

1.17 Borrowing costs

Borrowing costs are interest and other expenses incurred by an municipality in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.18 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

Modimolle Local Municipality

Financial Statements for the year ended 30 June, 2016

Accounting Policies

1.19 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.20 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.21 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

1.22 Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

1.23 Conditional grants and receipts

Revenue received from conditional grants, donations and funding is recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.24 Budget information

Municipalities are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by a municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget covers the fiscal period from 7/1/2015 to 6/30/2016.

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

The Statement of comparative and actual information has been included in the financial statements as the recommended disclosure when the financial statements and the budget are on the same basis of accounting as determined by National Treasury.

Modimolle Local Municipality

Financial Statements for the year ended 30 June, 2016

Accounting Policies

1.25 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

Modimolle Local Municipality

Financial Statements for the year ended 30 June, 2016

Notes to the Financial Statements

Figures in Rand

2016

2015

2. Changes in accounting policy

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the new or revised standards.

• GRAP 1	Presentation of Financial Statements
• GRAP 2	Cash Flow Statements
• GRAP 3	Accounting Policies, Changes in Accounting
• GRAP 4	The effects of Changes in Foreign Exchange rates
• GRAP 5	Borrowing cost
• GRAP 6	Consolidated and Seperate Financial Statements
• GRAP 7	Investments in Associates
• GRAP 8	Interest in Joint Ventures
• GRAP 9	Revenue from Exchange transactions
• GRAP 10	Financial Reporting in Hyperinflationary Economies
• GRAP 11	Construction contracts
• GRAP 12	Inventories
• GRAP 13	Leases
• GRAP 14	Event After the Reporting Date
• GRAP 16	Investment Property
• GRAP 17	Property, Plant and Equipment
• GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
• GRAP 21	Impairment of non-cash-generating assets
• GRAP 23	Revenue from non-exchange transactions
• GRAP 24	Presentation of Budget information in Financial Statements
• GRAP 25	Employee benefits
• GRAP 26	Impairment of cash-generating assets
• GRAP 27	Agriculture
• GRAP 31	Intangible assets
• GRAP 100	Non-current Assets Held for Sale and Discontinue Operations
• GRAP 101	Agriculture
• GRAP 102	Intangible Assets
• GRAP 103	Heritage Assets
• GRAP 104	Financial Instruments
• GRAP 107	Mergers

3. New standards and interpretations

3.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July, 2016 or later periods:

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions, states that no comparative segment information need to be presented on initial adoption of this Standard.

Notes to the Financial Statements

3. New standards and interpretations (continued)

Directive 3 - Transitional provisions for high capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment, recognition requirements of this Standard would not apply to such items until the transitional provision in that Standard expires.

Directive 4 – Transitional provisions for medium and low capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment and the Standard of GRAP on Agriculture, the recognition requirements of the Standard would not apply to such items until the transitional provision in that standard expires.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

The impact of this standard is currently being assessed.

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
 - has control or joint control over the reporting entity;
 - has significant influence over the reporting entity;
 - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
 - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
 - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
 - both entities are joint ventures of the same third party;
 - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
 - the entity is controlled or jointly controlled by a person identified in (a); and
 - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

Notes to the Financial Statements

3. New standards and interpretations (continued)

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

The impact of this standard is currently being assessed.

GRAP 32: Service Concession Arrangements: Grantor

The objective of this Standard is: to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

It furthermore covers: Definitions, recognition and measurement of a service concession asset, recognition and measurement of liabilities, other liabilities, contingent liabilities, and contingent assets, other revenues, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

GRAP 108: Statutory Receivables

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

This Interpretation of the Standards of GRAP provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. This Interpretation of the Standards of GRAP shall not be applied by analogy to other types of transactions or arrangements.

Notes to the Financial Statements

3. New standards and interpretations (continued)

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this Interpretation of the Standards of GRAP need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

A consensus is reached, in this Interpretation of the Standards of GRAP, on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

GRAP 16 (as amended 2015): Investment Property

Based on the feedback received as part of the post-implementation review, the Board agreed to reconsider certain principles in GRAP 16 and GRAP 17. In particular, the Board agreed to:

- Review the principles and explanations related to the distinction between investment property and property, plant and equipment.
- Consider whether an indicator-based assessment of useful lives of assets could be introduced.
- Clarify the wording related to the use of external valuers.
- Introduce more specific presentation and disclosure requirements for capital work-in-progress.
- Review the encouraged disclosures and assess whether any should be made mandatory or deleted.
- Require separate presentation of expenditure incurred on repairs and maintenance in the financial statements.

Various amendments were made to the Standard, affecting Definitions, Identification, Disclosure, Effective date and Transitional provisions.

The effective date of the standard is for years beginning on or after 01 April, 2016.

The municipality expects to adopt the standard for the first time in the 2017 financial statements.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

GRAP 17 (as amended 2015): Property, Plant and Equipment

Based on the feedback received as part of the post-implementation review, the Board agreed to reconsider certain principles in GRAP 16 and GRAP 17. In particular, the Board agreed to:

- Review the principles and explanations related to the distinction between investment property and property, plant and equipment.
- Consider whether an indicator-based assessment of useful lives of assets could be introduced.
- Clarify the wording related to the use of external valuers.
- Introduce more specific presentation and disclosure requirements for capital work-in-progress.
- Review the encouraged disclosures and assess whether any should be made mandatory or deleted.
- Require separate presentation of expenditure incurred on repairs and maintenance in the financial statements.

Amendments identified as part of the post-implementation review, affected the following areas:

- Indicator-based assessment of the useful lives of assets
- Use of external valuers
- Encouraged disclosures
- Capital work-in-progress
- Expenditure incurred on repairs and maintenance

Notes to the Financial Statements

3. New standards and interpretations (continued)

The effective date of the standard is for years beginning on or after 01 April, 2016.

The municipality expects to adopt the standard for the first time in the 2017 financial statements.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

GRAP 109: Accounting by Principals and Agents

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.

It furthermore covers Definitions, Identifying whether an entity is a principal or agent, Accounting by a principal or agent, Presentation, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

GRAP 21 (as amended 2015): Impairment of non-cash-generating assets

The Board agreed to include a research project on its work programme to review GRAP 21 and GRAP 26 to assess whether the principles in these Standards could be simplified and streamlined. As part of its research project, the Board considered the following aspects which led to the proposed amendments included in this Exposure Draft:

- simplifying the approach to impairment to make it clearer when an asset is cash generating or non-cash-generating;
- assessing the feasibility of one measurement approach for non-cash-generating assets; and
- assessing the feasibility of combining the two Standards.

Summary of changes:

The changes to the Standard of GRAP on Impairment of Non-cash-generating Assets are outlined below:

General definitions:

The definition of cash-generating assets has been amended to be consistent with the amendments made to clarify the objective of cash-generating assets and non-cash-generating assets.

Cash generating assets and non-cash-generating assets:

Additional commentary has been added to clarify the objective of cash-generating assets and non-cash-generating assets.

Identifying an asset that may be impaired:

Additional commentary has been added to clarify that physical damage triggers impairment of an asset when it results in a permanent or a significant decline in the potential of an asset.

Reversing an impairment loss:

An indicator has been added that the restoration of an asset's service potential following physical damage to the asset could indicate a reversal in an impairment loss.

Additional commentary has been added to clarify that restoration of an asset's service potential as a result of physical damage is an indication that an impairment loss recognised in prior periods may no longer exist or may have decreased.

Notes to the Financial Statements

3. New standards and interpretations (continued)

Disclosures:

The requirement to disclose the criteria developed to distinguish non-cash-generating assets from cash-generating assets has been amended to be consistent with the amendments made to clarify the objective of non-cash-generating assets and cash-generating assets.

The effective date of the standard is for years beginning on or after 01 April, 2017.

The municipality expects to adopt the standard for the first time in the 2018 financial statements.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

GRAP 26 (as amended 2015): Impairment of cash-generating assets

The Board agreed to include a research project on its work programme to review GRAP 21 and GRAP 26 to assess whether the principles in these Standards could be simplified and streamlined. As part of its research project, the Board considered the following aspects which led to the proposed amendments included in this Exposure Draft:

- simplifying the approach to impairment to make it clearer when an asset is cash generating or non-cash-generating;
- assessing the feasibility of one measurement approach for non-cash-generating assets; and
- assessing the feasibility of combining the two Standards.

Summary of changes:

The changes to the Standard of GRAP on Impairment of Cash-generating Assets are outlined below:

General definitions:

The definitions of cash-generating assets and cash-generating unit have been amended to be consistent with the amendments made to clarify the objective of cash-generating assets and non-cash-generating assets below.

Cash generating assets and non-cash-generating assets:

Additional commentary has been added to clarify the objective of cash-generating assets and non-cash-generating assets.

Disclosures:

The requirement to disclose the criteria developed to distinguish cash-generating assets from non-cash-generating assets has been amended to be consistent with the amendments made to clarify the objective of non-cash-generating assets and cash-generating assets.

The effective date of the standard is for years beginning on or after 01 April, 2017.

The municipality expects to adopt the standard for the first time in the 2018 financial statements.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities

Historically, public entities have prepared financial statements in accordance with generally recognised accounting practice, unless the Accounting Standards Board (the Board) approved the application of generally accepted accounting practice for that entity. "Generally accepted accounting practice" has been taken to mean Statements of Generally Accepted Accounting Practice (Statements of GAAP), or for certain entities, International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board. Since Statements of GAAP have been withdrawn from 1 December 2012, public entities will be required to apply another reporting framework in the future.

The purpose of this Directive is to prescribe the criteria to be applied by public entities in selecting and applying an appropriate reporting framework.

The effective date of the standard is for years beginning on or after 01 April, 2018.

Modimolle Local Municipality

Financial Statements for the year ended 30 June, 2016

Notes to the Financial Statements

3. New standards and interpretations (continued)

The municipality expects to adopt the standard for the first time in the 2019 financial statements.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

4. Investment property

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	6,494,251	-	6,494,251	6,494,251	-	6,494,251

Reconciliation of investment property - 2016

	Opening balance	Total
Investment property	6,494,251	6,494,251

Reconciliation of investment property - 2015

	Opening balance	Additions	Total
Investment property	5,575,251	919,000	6,494,251

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal are as follows:

Contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements is as follows:

In the exceptional cases when the municipality have to measure investment property using the cost model in the Standard of GRAP on Property, Plant and Equipment when the municipality subsequently uses the fair value measurement, disclose the following:

- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,
- if possible, the range of estimates within which fair value is highly likely to lie, and
- on disposal of investment property not carried at fair value:
 - the fact that the entity has disposed of investment property not carried at fair value,
 - the carrying amount of that investment property at the time of sale, and
 - the amount of gain or loss recognised.

Modimolle Local Municipality

Financial Statements for the year ended 30 June, 2016

Notes to the Financial Statements

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5. Property, plant and equipment

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	405,729,332	(26,578,635)	379,150,697	406,978,438	(23,274,948)	383,703,490
Buildings	52,666,030	(20,822,006)	31,844,024	52,665,609	(18,331,091)	34,334,518
Infrastructure	642,985,146	(198,984,464)	444,000,682	607,515,091	(163,752,028)	443,763,063
Community	30,761,791	(11,644,269)	19,117,522	28,969,811	(9,100,514)	19,869,297
Other property, plant and equipment	21,477,860	(10,998,385)	10,479,475	21,462,290	(9,082,982)	12,379,308
Finance lease asset	5,271,610	(5,233,102)	38,508	5,271,610	(4,178,780)	1,092,830
Total	1,158,891,769	(274,260,861)	884,630,908	1,122,862,849	(227,720,343)	895,142,506

Modimolle Local Municipality

Financial Statements for the year ended 30 June, 2016

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5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	WIP Released	Disposals	Transfers	Assets under construction Additions	Depreciation	Impairment loss	Total
Land	383,703,490	1,085,657	-	(2,334,763)	-	-	(3,303,687)	-	379,150,697
Buildings	34,334,518	386,420	(386,420)	-	420	-	(2,385,799)	(105,116)	31,844,023
Infrastructure	443,763,063	56,741,037	(31,544,144)	(22,370)	-	10,424,145	(27,867,514)	(7,493,535)	444,000,682
Community	19,869,297	825,162	-	-	-	966,818	(1,407,924)	(1,135,831)	19,117,522
Other property, plant and equipment	12,380,148	15,990	-	-	(562)	-	(1,872,275)	(43,812)	10,479,489
Finance lease assets	1,092,830	-	-	-	-	-	(1,054,322)	-	38,508
	895,143,346	59,054,266	(31,930,564)	(2,357,133)	(142)	11,390,963	(37,891,521)	(8,778,294)	884,630,921

Modimolle Local Municipality

Financial Statements for the year ended 30 June, 2016

Notes to the Financial Statements

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5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	WIP Released	Disposals	Transfers	Correction of Error	Assets under construction	Depreciation	Impairment loss	Total
Land	381,546,075	16,249,250	-	-	-	(8,128)	-	(14,083,707)	-	383,703,490
Buildings	36,425,091	-	-	-	-	-	386,421	(2,476,994)	-	34,334,518
Infrastructure	430,769,174	43,010,201	(43,573,863)	-	2,715,618	1,932,652	37,897,409	(28,610,998)	(377,130)	443,763,063
Community	16,692,730	4,475,664	-	-	-	(718)	-	(1,298,379)	-	19,869,297
Other property, plant and equipment	15,195,214	2,182,410	(4,559,347)	(196,714)	(2,715,618)	2,897,971	1,426,318	(1,748,440)	(101,646)	12,380,148
Finance lease assets	2,147,152	-	-	-	-	-	-	(1,054,322)	-	1,092,830
	882,775,436	65,917,525	(48,133,210)	(196,714)	-	4,821,777	39,710,148	(49,272,840)	(478,776)	895,143,346

Reconciliation of Work-in-Progress 2016

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	40,375,711	449,557	386,421	41,211,689
Additions/capital expenditure	10,424,145	966,818	-	11,390,963
Transferred to completed items	(31,544,144)	-	(386,421)	(31,930,565)
	19,255,712	1,416,375	-	20,672,087

Reconciliation of Work-in-Progress 2015

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	46,052,165	449,557	3,133,028	49,634,750
Additions/capital expenditure	37,897,409	-	1,812,739	39,710,148
Transferred to completed items	(43,573,863)	-	(4,559,346)	(48,133,209)
	40,375,711	449,557	386,421	41,211,689

Modimolle Local Municipality

Financial Statements for the year ended 30 June, 2016

Notes to the Financial Statements

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5. Property, plant and equipment (continued)

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

For more detail information about assets please refer to Appendix B.

6. Intangible assets

	2016			2015		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	499,638	(411,060)	88,578	499,638	(269,064)	230,574
Servitudes	2,497,269	-	2,497,269	2,497,269	-	2,497,269
Total	2,996,907	(411,060)	2,585,847	2,996,907	(269,064)	2,727,843

Reconciliation of intangible assets - 2016

	Opening balance	Amortisation	Total
Computer software, other	230,574	(141,996)	88,578
Servitudes	2,497,269	-	2,497,269
	2,727,843	(141,996)	2,585,847

Reconciliation of intangible assets - 2015

	Opening balance	Amortisation	Total
Computer software, other	499,638	(269,064)	230,574
Servitudes	2,497,269	-	2,497,269
	2,996,907	(269,064)	2,727,843

7. Heritage assets

	2016			2015		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Stamp collections, military insignia, medals, coin	826	-	826	826	-	826

Reconciliation of heritage assets 2016

	Opening balance	Total
Stamp collections, military insignia, medals, coin	826	826

Reconciliation of heritage assets 2015

	Opening balance	Correction of Error	Total
Stamp collections, military insignia, medals, coin	-	826	826

Modimolle Local Municipality

Financial Statements for the year ended 30 June, 2016

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7. Heritage assets (continued)

8. Employee benefit obligations

Defined benefit plan

Post employment health care plan

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. The plan is treated as a defined benefit plan under GRAP 25. No other post-retirement benefits are provided to these employees.

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Bonitas
- Hosmed
- Keyhealth
- LA Health
- Samwumed

The post-employment health care benefit is a defined benefit plan, which is made up as follows:

Eligible in-service members

Number of Principal Members	154	147
Number Non-Members	209	203
Average Age of Members	43	43
Average Past Service	9	9
Average number of dependants for In-Service Members	2	2

Continuing Members

Number of Principal Members	23	23
Average Age of Members	73	72
Average Employee Contributions	2,850	2,723

The liability in respect of past service has been estimated to be as follows:

In-Service Members	17,905,203	14,606,949
In-Service Non-Members	6,150,747	5,954,673
Continuation Members	8,613,036	9,333,556
	32,668,986	29,895,178

The amounts recognised in the statement of financial position are as follows:

Carrying value

Present value of the defined benefit obligation-partly or wholly funded	(32,668,985)	(29,895,178)
Non-current liabilities	(31,882,517)	(29,143,750)
Current liabilities	(786,468)	(751,428)
	(32,668,985)	(29,895,178)

Modimolle Local Municipality

Financial Statements for the year ended 30 June, 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
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8. Employee benefit obligations (continued)

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	29,895,178	25,928,649
Benefits paid	(751,428)	(647,400)
Net expense recognised in the statement of financial performance	3,525,235	4,613,929
	32,668,985	29,895,178

Net expense recognised in the statement of financial performance

Current service cost	2,136,949	1,771,935
Interest cost	2,662,584	2,336,560
Actuarial (gains) losses	(1,274,298)	505,434
	3,525,235	4,613,929

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	9.46 %	9.02 %
Expected rate of return on assets	8.50 %	8.12 %
Expected rate of return on reimbursement rights	0.89 %	0.83 %
Actual return on reimbursement rights	58	58

The basis used to determine the discount rate of return is as follow:

A discount rate of 9.46% (2015: 9.02%) per annum has been used. The corresponding index-linked yield at this term is 1.84% (2015: 1.78%).

The rate is calculated by using a weighted average of yields for the three components of the liability.

The employee benefit obligation was independently performed by ARCH Actuarial Consulting. The report was prepared by Chanan Weiss BSc FFA. Chanan is a Fellow of the Actuarial Society of South Africa.

Modimolle Local Municipality

Financial Statements for the year ended 30 June, 2016

Notes to the Financial Statements

Figures in Rand	2016	2015			
8. Employee benefit obligations (continued)					
Other assumptions					
Changes in the present value of the defined benefit obligations for the current and previous four years are as follows:					
	2016 R	2015 R	2014 R	2013 R	2012 R
Opening Balance	29,895,178	25,928,649	20,458,439	17,900,419	17,016,505
Benefit Paid	(751,428)	(647,400)	(528,276)	(471,720)	(482,616)
Net expense recognised in the Statement of Financial Performance	3,528,235	4,613,929	5,998,486	3,029,740	1,366,530
Closing Balance	32,668,985	29,895,178	25,928,649	20,458,439	17,900,419
Experience adjustments on plan liabilities	(763,000)	452,000	1,739,000	1,075,000	(3,028,000)
The amounts recognised in the Statement of Financial Position are as follows:	2016	2015	2014	2013	2012
Present value of the defined benefit obligations - partially of wholly funded	32,668,985	29,895,178	25,928,649	20,458,439	17,900,419

A one percent change in assumed health cost trends rates would have the following effects:

Sensitivity Analysis	Change	Current- Service Cost	Interest Cost	Total	% Change
Central Assumptions		2,136,900	2,662,600	4,799,500	- %
Health Care Inflation	+1%	2,623,500	3,114,000	5,737,500	20 %
	-1%	1,741,400	2,290,200	4,031,600	(16)%
Discount rate	+1%	1,744,800	2,537,000	4,281,800	(11)%
	-1%	2,654,400	2,797,100	5,451,500	14 %
Post-Retirement Mortality	-1yr	2,203,600	2,759,000	4,962,600	3 %
Average Retirement Age	-1yr	2,322,300	2,818,300	5,140,600	7 %
Continuation of membership at retirement	-10%	1,698,400	2,269,900	3,968,300	(17)%
		17,125,300	21,248,100	38,373,400	- %

9. Investments

N T K	119,089	117,955
Fixed Deposit	900,000	4,056,573
	1,019,089	4,174,528
Current and Non-Current		
Current Investment	900,000	4,056,573
Non-current Investments	119,089	117,955
	1,019,089	4,174,528

Fixed deposits amounting to R900 000 (2015: R900 000) have been pledged to Magalies Water for a deposit. The Investment is renewable annually.

Investments totalling R0 (2015: R3 156 573) were ceded to the DBSA. These investments did serve as security for the long terms loans. The investment maturity date was 19 October 2015.

Modimolle Local Municipality

Financial Statements for the year ended 30 June, 2016

Notes to the Financial Statements

Figures in Rand 2016 2015

9. Investments (continued)

NTK Shares 2016	Class 1 Normal Shares	Class 2 Preferential Shares	Class 3 Preferential Shares	Security Investments	Total
Opening Balance	5,000	32,234	77,919	2,802	117,955
Fair Value adjustments	-	10	-	1,124	1,134
	5,000	32,244	77,919	3,926	119,089

NTK Shares 2015	Class 1 Normal Shares	Class 2 Preferential Shares	Class 3 Preferential Shares	Security Investments	Total
Opening Balance	5,000	28,156	77,919	2,646	113,721
Fair Value Adjustment	-	4,078	-	156	4,234
	5,000	32,234	77,919	2,802	117,955

10. Other Receivables

Deposit - Electricity	354,867	334,651
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The deposit is held by Eskom for bulk services rendered to the municipality.

11. Inventories

Raw materials, components	3,686,550	6,251,292
Water	56,973	109,120
	3,743,523	6,360,412

Stores

There is only one centralize store within the municipality. The store consits mainly of maintenance items for the Water, Sanitation and Electricity departments as well as stationary and protective clothing for the municipality.

Modimolle Local Municipality

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Notes to the Financial Statements

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12. Receivables from exchange transactions			
Trade debtors	145,081,685	103,717,191	
Provision for doubtful debts	(43,451,531)	(33,089,768)	
Other receivables	5,235,373	5,883,917	
Other receivables - new connections	534,064	868,485	
	107,399,591	77,379,825	
30 June 2016 Trade Receivables			
	Gross	Provision	Total
Electricity	18,705,398	(4,793,104)	13,912,294
Water	48,392,819	(16,379,812)	32,013,007
Sewerage	14,012,054	-	14,012,054
Refuse	10,457,539	(3,646,848)	6,810,691
VAT	13,667,489	(4,477,047)	9,190,442
Other	39,846,385	(14,154,719)	25,691,666
Subtotal	145,081,684	(43,451,530)	101,630,154
Other Receivables			
Other Receivables	5,235,373	-	5,235,373
Other Receivables - new connections	534,064	-	534,064
	150,851,121	(43,451,530)	107,399,591
30 June 2015 Trade Receivables			
	Gross	Provision	Total
Electricity	13,144,502	(3,168,348)	9,976,154
Water	32,909,617	(12,141,836)	20,767,781
Sewerage	10,761,655	-	10,761,655
Refuse	8,120,481	(3,075,745)	5,044,736
VAT	14,130,463	(5,226,688)	8,903,775
Other	24,650,473	(9,477,151)	15,173,322
Subtotal	103,717,191	(33,089,768)	70,627,423
Other Receivables			
Other Receivables	5,883,917	-	5,883,917
Other Receivables - new connections	868,485	-	868,485
	110,469,593	(33,089,768)	77,379,825

Modimolle Local Municipality

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12. Receivables from exchange transactions (continued)

Trade and other receivables past due

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June, 2016, R 18 683 376-00 (2015: R 14 973 313.00) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

2 months past due	13,115,904	9,786,270
3 months past due	5,567,473	5,187,043

2016 Gross Ageing per Group	Business	Farms	Government	Households	Industrial
Current	3,426,640	23,084	1,527,283	6,505,910	813,036
31 - 60 days	1,106,589	10,138	629,630	3,340,162	107,956
61 - 90 days	1,057,138	9,247	344,281	2,999,336	16,561
91 - 120 days	480,818	8,788	311,573	2,985,333	14,365
120 + days	8,443,296	147,996	3,588,904	97,784,329	434,515
	14,514,481	199,253	6,401,671	113,615,070	1,386,433

2016 Gross Ageing per Group

	Others	Sundry Accounts
Current	787,752	32,199
31 - 60 days	364,212	8,786
61 - 90 days	361,266	1,690
91 - 120 days	382,431	2,495
120 + days	6,732,555	291,392
	8,628,216	336,562

2015 Gross Ageing per Group	Business	Farms	Government	Household	Industrial
Current	1,812,247	12,371	1,256,952	5,543,060	420,579
31 - 60 days	93,902	6,937	682,112	2,874,679	46,802
61 - 90 days	206,874	6,890	314,760	3,340,593	45,448
91 - 120 days	353,702	5,619	166,310	3,440,103	39,013
120 + days	4,282,544	121,946	2,081,640	70,076,652	632,015
	6,749,269	153,763	4,501,774	85,275,087	1,183,857

2015 Gross Ageing per Group

	Others	Sundry Accounts
Current	710,777	30,283
31 - 60 days	485,297	7,437
61 - 90 days	351,640	12,569
91 - 120 days	180,368	6,869
121 + days	2,844,889	386,313
	4,572,971	443,471

30 June 2016	Electricity	Water	Sewerage	Refuse	VAT	Other
Current	4,801,206	3,901,483	965,393	622,416	1,436,464	1,388,941
31 - 60 days	1,363,364	1,634,684	449,248	293,395	517,139	1,309,641
61 - 90 days	1,140,141	1,348,748	406,975	255,101	428,774	1,209,780
91 - 120 days	527,322	1,462,555	384,596	243,263	368,431	1,199,636
121+ days	10,873,365	40,045,349	11,805,841	9,043,363	10,916,681	34,738,387
	18,705,398	48,392,819	14,012,053	10,457,538	13,667,489	39,846,385

Modimolle Local Municipality

Financial Statements for the year ended 30 June, 2016

Notes to the Financial Statements

Figures in Rand	2016					2015
12. Receivables from exchange transactions (continued)						
30 June 2015	Electricity	Water	Sewerage	Refuse	VAT	Other
Current	4,007,531	2,395,623	789,184	486,197	1,078,799	1,028,936
31 - 60 days	1,537,202	1,389,932	411,551	256,636	514,651	924,193
61 - 90 days	1,039,579	1,281,645	381,859	234,323	434,951	906,417
91 - 120 days	753,196	1,641,172	351,701	199,245	416,726	829,945
121 - 365 days	5,806,994	26,201,245	8,827,360	6,944,080	11,685,337	20,960,982
	13,144,502	32,909,617	10,761,655	8,120,481	14,130,464	24,650,473

Reconciliation of provision for impairment of trade and other receivables

Opening balance	33,089,768	27,371,247
Provision for impairment	10,441,952	17,625,183
Amounts written off as uncollectible	(80,189)	(11,906,662)
	43,451,531	33,089,768

13. Receivables from non-exchange transactions

Rates	29,227,359	24,046,069
Other receivables from non-exchange revenue	745,004	745,004
	29,972,363	24,791,073

Receivables from non-exchange transactions

The ageing of amounts past due but not impaired is as follows:

Current	2,211,164	2,234,851
31 - 60 days	1,144,606	941,867
61 - 90 days	1,087,918	908,268
91 - 120 days	791,164	834,176
121 + days	23,992,507	19,126,906

30 June 2016 Ageing per Group	Current	31 - 60 days	61 - 90 days	91 - 120 days	121 + days
Business	529,411	364,966	356,525	117,003	2,799,367
Farms	71,177	50,729	58,376	43,114	786,920
Government	117,388	95,902	91,611	83,375	2,587,205
Household	1,051,126	583,418	536,679	505,620	16,821,400
Industrial	196,899	19,467	19,102	17,119	532,508
Others	245,100	30,124	25,625	24,933	464,853
Sundry Accounts	63	-	-	-	253
	2,211,164	1,144,606	1,087,918	791,164	23,992,506

30 June 2015 Ageing per Group	Current	31 - 60 days	61 - 90 days	91 - 120 days	121 + days
Business	629,057	114,371	108,558	107,431	1,971,416
Farms	54,214	48,260	50,046	41,991	520,043
Government	162,737	114,929	113,341	110,518	2,057,944
Household	969,714	543,929	514,300	467,816	12,945,462
Industrial	230,203	87,926	90,844	76,789	1,202,478
Others	188,906	32,433	31,160	29,612	429,341
Sundry Accounts	20	20	20	20	221
	2,234,851	941,868	908,269	834,177	19,126,905

Modimolle Local Municipality

Financial Statements for the year ended 30 June, 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
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13. Receivables from non-exchange transactions (continued)

Receivables from non-exchange transactions impaired

As of 30 June, 2016, other receivables from non-exchange transactions for Traffic Fines of R 127 090 (2015: R70 120) were impaired and provided for.

The amount of the provision was R 261 000 as of 30 June, 2016 (2015: R 133 9100).

30 June 2016 Reconciliation of Fines

	Gross	Provision	Total
Traffic Fines	261,000	(261,000)	-

30 June 2015 Reconciliation of Fines

	Gross	Provision	Total
Traffic Fines	133,910	(133,910)	-

Reconciliation of provision for impairment of Fines:

Opening Balance		133,910	63,700
Contribution to Provision		127,090	70,210
		261,000	133,910

14. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	2,800	2,800
Bank balances	6,779,080	6,590,675
Call deposits	22,874,303	6,984,817
	29,656,183	13,578,292

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June, 2016	30 June, 2015	30 June, 2014	30 June, 2016	30 June, 2015	30 June, 2014
Standard Bank Limited (Modimolle) - Current account 330506137	8,348,613	5,742,687	12,546,548	6,779,080	6,348,125	6,792,665

15. Housing Development Reserve

Opening / Closing balance	483,263	483,263
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16. Other financial liabilities

At amortised cost

Development Bank of Southern Africa Account number 10467. Redemption date: 30 September 2017. Interest rate 12%. Payment terms 6 monthly.	427,850	674,088
Development Bank of Southern Africa Account number 13537. Redemption date: 31 March 2020. Interest rate 3 month Jibar + Margin. Payment terms 3 Monthly.	-	701,672
	427,850	1,375,760

Total other financial liabilities

	427,850	1,375,760
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Modimolle Local Municipality

Financial Statements for the year ended 30 June, 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
16. Other financial liabilities (continued)		
The loan at DBSA with account number 13537 was redeemed during the 2015/16 financial year.		
Non-current liabilities		
At amortised cost	150,942	981,567
Current liabilities		
At amortised cost	276,908	394,193
17. Finance lease obligation		
Minimum lease payments due		
- within one year	-	1,596,558
	-	1,596,558
less: future finance charges	145,142	145,142
Present value of minimum lease payments	145,142	1,741,700
Present value of minimum lease payments due		
- within one year	-	1,451,416
Finance cost recognised in the Statement of Financial Performance	-	263,894
The average lease term is 3 years and the effective borrowing rate is 9%. Interest rates are fixed at the contract date. No arrangements have been entered into for the contingent rent. Obligations under finance leases are secured by the lessors title to the leased asset.		
18. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Municipal Infrastructure Grant	20,074,465	1,685,578
See note for reconciliation of grants from National Government.		

Modimolle Local Municipality

Financial Statements for the year ended 30 June, 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
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19. Provisions

Reconciliation of provisions - 2016

	Opening Balance	Change in discount factor	Total
Environmental rehabilitation	34,706,154	(1,249,106)	33,457,048
Long-service award	5,022,758	491,979	5,514,737
	39,728,912	(757,127)	38,971,785

Reconciliation of provisions - 2015

	Opening Balance	Change in discount factor	Total
Environmental rehabilitation	19,512,754	15,193,400	34,706,154
Long-service award	3,247,906	1,774,852	5,022,758
	22,760,660	16,968,252	39,728,912
Non-current liabilities		38,183,189	39,115,793
Current liabilities		788,596	613,119
		38,971,785	39,728,912

Environmental rehabilitation provision

The provision for the rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal. It is calculated as the present value of the future obligation.

30 June 2016	Modimolle	Mabatlane
Escalation rate	7%	7%
Useful life	24 years	24 years
Remaining useful life	1 years	3 years
Restoration area	83 594 sqm	18 038 sqm

30 June 2015	Modimolle	Mabatlane
Escalation rate	7%	7%
Useful life	24 years	24 years
Remaining useful life	2 years	6 years
Restoration area	83 594 sqm	18 038 sqm

Long-service award

A long service award is granted to municipal employees for every five (5) years of service completed from five (5) years of service to forty five (45) years of service inclusive. Employees are also entitled to receive a long service voucher upon reaching twenty five (25) years of service with a maximum value of half of the monthly salary of the recipient.

The provision represents an estimate of the awards to which employees in the service of the municipality at 30 June 2016 may become entitled to in future, based on actuarial valuation performed at that date.

The most recent actuarial valuations of plan assets and the present value of the unfunded defined benefit obligation were carried out as at 30 June 2016 by a member of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. No other long service benefits are provided by the Municipality.

Modimolle Local Municipality

Financial Statements for the year ended 30 June, 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
19. Provisions (continued)		
The long-service award plans are defined benefit plans. As at year-end 363 employees were eligible for long-service awards.		
The Long-Service award actuarial valuation was independently performed by ARCH Actuarial Consultants. The report was prepared by Chanan Weiss BSc FFA. Chanan Weiss is a Fellow of the Actuarial Society of South Africa.		
The history of Liabilities, Assets and Experience Adjustment	2016	2015
Present value of defined benefit obligation	5,514,737	5,022,758
History of Experience Adjustments: Gains and Losses	2016	2015
Liabilities: (Gain)/Loss	269,342	384,864
The Principal assumptions used for the purposes of the actuarial valuations were as follows:	2016	2015
Discount Rate	8.47 %	7.96 %
Expected rate of salary increase	7.13 %	7.16 %
Net effective discount rate	1.25 %	0.84 %
The amounts recognised in the Statement of Financial Position are as follows:	2016	2015
Present value of Fund obligations	5,514,737	5,022,758
The amount recognised in the Statement of Financial Performance are as follows:	2016	2015
Current service cost	609,984	376,209
Interest cost	375,749	249,593
Actuarial loss	119,365	366,890
Expected employee benefit vesting	(613,119)	(256,678)
Past-service cost recognised	-	1,038,838
	491,979	1,774,852
Reconciliation of the present value of defined benefit obligation to fair value of liability:	2016	2015
Balance at the beginning of year	5,022,758	3,247,906
Current-service Cost	609,984	376,209
Interest Cost	375,749	249,593
Expected employee benefit vesting	(613,119)	(256,678)
Actuarial Loss	119,365	366,890
Past-service cost recognised	-	1,038,838
	5,514,737	5,022,758
20. Payables from exchange transactions		
Trade payables	59,667,137	29,925,668
Payments received in advanced	5,560,003	5,195,427
Retentions	4,246,644	3,952,956
Other creditors	25,241,717	16,325,542
Accrued leave pay	12,567,834	12,134,294
	107,283,335	67,533,887
The movement in the leave pay accrual can be reconciled as follows:		
Opening Balance	12,134,294	10,683,685
Contribution to Provision	1,122,338	1,667,353
Expenditure Incurred	(688,797)	(216,744)
	12,567,835	12,134,294

Modimolle Local Municipality

Financial Statements for the year ended 30 June, 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
21. VAT payable		
VAT payable	30,889,985	30,139,824
VAT is payable on the receipts basis. VAT is paid over to SARS only once the payment is recieved from debtors.		
22. Consumer deposits		
Electricity and water	3,854,940	3,767,170
No interest is paid on the consumer deposits.		
23. Revenue		
Service charges	152,057,135	133,533,826
Rental of facilities and equipment	181,396	190,320
Interest received (trading)	13,484,923	9,201,453
Agency services	566,106	1,545,309
Fair Value of Shares	1,134	4,234
Other income - (rollup)	5,145,121	7,898,917
Interest received - investment	1,184,448	1,768,997
Property rates	29,100,733	30,372,063
Government grants & subsidies	106,948,113	108,641,143
Fines, Penalties and Forfeits	152,770	107,995
	308,821,879	293,264,257
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	152,057,135	133,533,826
Rental of facilities and equipment	181,396	190,320
Interest received (trading)	13,484,923	9,201,453
Agency services	566,106	1,545,309
Fair Value of Shares	1,134	4,234
Other income - (rollup)	5,145,121	7,898,917
Interest received - investment	1,184,448	1,768,997
	172,620,263	154,143,056
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	29,100,733	30,372,063
Transfer revenue		
Government grants & subsidies	106,948,113	108,641,143
Fines, Penalties and Forfeits	152,770	107,995
	136,201,616	139,121,201

Modimolle Local Municipality

Financial Statements for the year ended 30 June, 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
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24. Property rates

Rates received

Residential	13,008,591	12,269,568
Commercial	11,043,065	14,186,374
State	1,361,982	1,266,216
Small holdings and farms	3,689,464	2,642,419
Church	(2,369)	7,486
	29,100,733	30,372,063

Valuations

Residential	37,870,504,889	37,075,874,095
Commercial	6,933,338,900	7,578,235,165
State	798,036,000	798,036,000
Church	2,938,388,504	2,317,320,504
Agricultural	38,425,238,688	38,035,221,342
	86,965,506,981	85,804,687,106

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2013. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

25. Service charges

Sale of electricity	93,944,903	79,782,710
Sale of water	38,743,786	35,980,509
Refuse removal	7,450,086	6,853,031
Sewerage and sanitation charges	11,918,360	10,917,576
	152,057,135	133,533,826

Sale of electricity is made up of pre-paid electricity sales and conventional meter sales. Pre-paid electricity sales total R33 038 258 (2015: R28 601 611) are included in sale of electricity.

Modimolle Local Municipality

Financial Statements for the year ended 30 June, 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
26. Government grants and subsidies		
Operating grants		
Equitable share	59,775,001	58,641,932
Financial Management Grant	1,675,000	1,481,560
Municipal Systems Improvement Grant	930,000	934,000
Municipal Infrastructure Grant	885,779	1,456,211
Extended Public Works Programme	1,598,000	1,502,000
	<u>64,863,780</u>	<u>64,015,703</u>
Capital grants		
Financial Management Grant	-	118,440
Municipal Infrastructure Grant	32,084,333	39,507,000
Department of Energy Grants	10,000,000	5,000,000
	<u>42,084,333</u>	<u>44,625,440</u>
	<u>106,948,113</u>	<u>108,641,143</u>
Conditional and Unconditional		
Included in above are the following grants and subsidies received:		
Conditional grants received	43,250,880	49,999,211
Unconditional grants received	59,775,001	58,641,932
	<u>103,025,881</u>	<u>108,641,143</u>
Equitable Share		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
All registered indigents receive a monthly subsidy which is funded from the grant.		
Financial Management Grant		
Current-year receipts	1,675,000	1,600,000
Conditions met - transferred to revenue	(1,675,000)	(1,600,000)
	<u>-</u>	<u>-</u>
To promote and support reforms in financial management by building capacities in municipalities to implements the Municipal Finance Management Act (MFMA).		
Conditions still to be met - remain liabilities (see note 18).		
Municipal Systems Improvement Grant		
Current-year receipts	930,000	934,000
Conditions met - transferred to revenue	(930,000)	(934,000)
	<u>-</u>	<u>-</u>
To assit municipalities to build in-house capacity to perform their functions and stabilise institutional and governance systems as required in the Municipal Systems Act (MSA) and related legislation, poliies and the local government turnaroud strategy.		
Conditions still to be met - remain liabilities (see note 18).		
Municipal Infrastructure Grant		
Balance unspent at beginning of year	1,685,578	23,298,789
Current-year receipts	52,875,000	19,350,000

Modimolle Local Municipality

Financial Statements for the year ended 30 June, 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
26. Government grants and subsidies (continued)		
Conditions met - transferred to revenue	(32,970,113)	(40,963,211)
Amount paid back to the National Revenue Fund	(1,516,000)	-
	20,074,465	1,685,578

To provide specific capital finance for the basic municipal infrastructural backlog for poor household, micro enterprise and social institution servicing poor communities.

Conditions still to be met - remain liabilities (see note 18).

Department of Energy

Balance unspent at beginning of year	-	168,933
Current-year receipts	10,000,000	5,000,000
Conditions met - transferred to revenue	(10,000,000)	(5,000,000)
Amount paid back to National Revenue Fund	-	(168,933)
	-	-

To implement the Integrated National Electrification Programme (INEP) by providing capital subsidies to municipalities to address the electrification backlog of occupied residential dwellings, clinics and the installation of bulk infrastructure and rehabilitation and refurbishment of electricity infrastructure in order to improve quality of supply.

Conditions still to be met - remain liabilities (see note 18).

Extended Public Works Programme

Current-year receipts	1,598,000	1,502,000
Conditions met - transferred to revenue	(1,598,000)	(1,502,000)
	-	-

To incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the following identified focus areas: road maintenance and the maintenance of buildings, low traffic volume roads and rural roads, basic services infrastructure, including water and sewer reticulation, sanitation, pipelines(excluding bulk infrastructure), other economic and social infrastructure, tourism and cultural industries, waste management, parks and beautification, sustainable land-based livelihoods, social services programme, health service programme and community safety programme.

Conditions still to be met - remain liabilities (see note 18).

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act no 1 of 2016), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

27. Other revenue

Fair value of Shares	1,134	4,234
Other income - (rollup)	5,145,121	7,898,917
	5,146,255	7,903,151

Modimolle Local Municipality

Financial Statements for the year ended 30 June, 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
28. Other income		
Fire Brigade	2,019,292	2,591,859
Photo Copies	96	-
Cemetery Fees	194,868	199,499
Continuous Members Medical Aid Contributions	291,847	110,558
Connection and Reconnection Fees	1,719,516	2,943,597
Sundry Income	127,631	108,824
Building Fees	145,482	107,409
Repayments LGSETA	133,436	184,950
Hawkers Permits	1,991	2,266
Sub Division Applications	50,171	49,384
Membership Fees	9,170	13,718
Insurance Claims	-	13,065
Clearance and Valuation Certificate	188,070	155,454
Bulk Contributions	746	1,176,402
Surplus Cash	454	215
Tender Documents	191,829	195,296
Advertising Boards	52,522	34,421
Sale of Erven	18,000	12,000
	5,145,121	7,898,917

Modimolle Local Municipality

Financial Statements for the year ended 30 June, 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
29. General expenses		
Advertising	268,185	333,470
Auditors Fees	1,770,277	3,246,161
Bank charges	638,402	736,994
Cleaning	75,287	112,495
Commission paid	198,784	1,344,241
Consulting and professional fees	5,774,718	6,408,809
Entertainment	23,982	91,379
Insurance	2,999,728	1,019,623
Conferences and seminars	31,230	114,405
IT expenses	117,402	33,951
Marketing	100,000	172,514
Publications	3,195	52,235
Motor vehicle expenses	7,044,199	6,380,291
Postage and courier	1,316	938
Printing and stationery	842,314	1,557,067
Promotions	1,740	9,489
Protective clothing	361,835	289,057
Subscriptions and membership fees	1,126,728	1,098,010
Telephone and fax	1,754,180	1,820,231
Transport and freight	172,800	-
Training	18,569	316,145
Travel - local	872,563	1,283,174
Refuse Bags	76,101	8,772
Other expenses	1,536,332	3,083,214
Job Evaluation	-	15,000
Council committee	1,046,835	1,079,662
Funeral assistance	37,500	22,500
Special Projects	134,739	229,066
Chemicals	766,377	1,570,563
Municipal Strategy	111,691	120,345
Disaster Management	-	30,161
Bursaries	-	87,800
EAP Referrals	2,829	30,521
Material and Stock	872	-
Occupational Health and Safety	7,048	37,580
Municipal Programs	-	116,033
Programming	1,179,635	1,310,612
Master Plan	-	234,597
SMME and Co-Op Development	26,100	20,813
Test Water Samples	264,134	264,849
Valuation Cost	388,441	774,860
Public Participation	23,500	112,360
GIS	-	192,200
	29,799,568	35,762,187

Modimolle Local Municipality

Financial Statements for the year ended 30 June, 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
30. Employee related costs		
Employee related costs - Salaries and Wages	70,732,637	69,701,308
Other Employee Related Costs	1,914,296	5,129,593
Employee related costs - Contributions for UIF, Pensions and Medical Aids	18,216,721	16,569,842
Travel, motor car, accommodation, subsistence and other allowances	5,206,667	4,970,823
Overtime payments	6,238,522	6,163,889
Housing benefits and allowances	1,520,635	1,030,410
Cell Phone Allowance	1,550	9,655
	103,831,028	103,575,520
Remuneration of municipal manager		
Annual Remuneration	906,117	900,372
Car Allowance	129,250	125,432
Contributions to UIF, Medical and Pension Funds	210,373	209,269
	1,245,740	1,235,073
The Municipal Manager was appointed from 1 January 2014.		
Remuneration of chief finance officer		
Annual Remuneration	-	759,086
Car Allowance	-	93,866
Contributions to UIF, Medical and Pension Funds	-	176,633
	-	1,029,585
The CFO resigned during 2014/2015 financial year, the last day in office was 30 June 2015.		
Manager Corporate Services		
Annual Remuneration	529,187	526,896
Car Allowance	163,162	158,370
Contributions to UIF, Medical and Pension Funds	169,335	166,760
	861,684	852,026
Manager Social Services		
Annual Remuneration	536,948	28,207
Car Allowance	90,000	7,500
Contributions to UIF, Medical and Pension Funds	138,822	8,426
	765,770	44,133
The Manager Social Services was appointed from 1 June 2015.		
Manager Technical Services		
Annual Remuneration	541,744	529,505
Car Allowance	121,000	134,065
Contributions to UIF, Medical and Pension Funds	155,991	149,488
	818,735	813,058

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Financial Statements for the year ended 30 June, 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
31. Remuneration of councillors		
Cllr Lekalakala (Mayor)	783,492	749,132
Cllr Kekana (Exco Member)	593,727	566,063
Cllr Fereira (Exco Member)	337,660	321,034
Cllr Sebolai (Speaker)	649,700	613,656
Cllr Mashitsho (Chief Whip)	593,029	566,450
Cllr Botes (Chairperson: Budget and Treasury)	316,542	300,813
Cllr Nel	251,286	239,051
Cllr Mashaba (Chairperson: MPAC)	316,542	300,812
Cllr Nyama	251,286	239,051
Cllr Khanya	263,172	249,737
Cllr Mojela (Chairperson: Technical Services)	314,075	300,809
Cllr Marutha (Chairperson: Social Services)	316,542	300,809
Cllr Ledwaba	268,739	257,958
Cllr Moropene	253,753	240,506
Cllr Sebelebele	251,286	239,051
Cllr Motshegoa (Chairperson: Planning)	316,542	300,809
Cllr Olifant (Chairperson: Corporate Portfolio)	333,978	317,354
Cllr Laubscher	253,754	239,062
	6,665,105	6,342,157

In-kind benefits

The Mayor, Speaker, Chief Whip and one Executive Committee Member are full-time. The Mayor, Speaker and Chief Whip is provided with an office and secretarial support at the cost of the Council.

The Mayor has use of the Council owned vehicle for official duties.

32. Investment earned - external investments

Interest revenue

Bank	1,164,231	1,750,440
Eskom deposit	20,217	18,557
	1,184,448	1,768,997

33. Depreciation and amortisation

Property, plant and equipment	37,905,474	48,677,362
Intangible assets	141,996	269,064
	38,047,470	48,946,426

34. Impairment of assets

Impairments

Property, plant and equipment	8,763,658	478,776
Assets were impaired according to specific indicators including: Vandalism, physical damage, discontinued assets and assets that became idle.		

The main classes of assets affected by impairment losses are:

Infrastructure

Other Assets

Buildings

Modimolle Local Municipality

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Notes to the Financial Statements

Figures in Rand	2016	2015
35. Finance costs		
Trade and other payables	67,141	-
Finance leases	145,142	263,894
Current borrowings	538,883	167,912
Provisions	3,038,333	2,586,153
	3,789,499	3,017,959
36. Auditors' Fees		
Auditor General Fees	1,700,780	3,162,741
Internal Audit Committee Fees	69,497	83,420
	1,770,277	3,246,161
37. Rental of facilities and equipment		
Premises		
Rental of facilities	181,396	190,320
38. Contracted services		
Legal services	5,015,495	3,150,246
Security services	6,631,130	7,148,576
	11,646,625	10,298,822
39. Bulk purchases		
Electricity	96,265,201	78,286,845
Water	11,333,842	6,390,261
	107,599,043	84,677,106
40. Cash generated from operations		
Deficit	(23,720,378)	(31,569,116)
Adjustments for:		
Depreciation and amortisation	38,047,470	48,946,426
Gain (loss) on sale of assets and liabilities	22,370	(1,917)
Gain on discontinued operations	1,100,047	891,496
Finance costs - Finance leases	145,142	263,894
Impairment deficit	8,763,658	478,776
Debt impairment	10,569,042	17,695,393
Movements in retirement benefit assets and liabilities	2,773,807	3,966,529
Movements in provisions	(757,127)	16,968,252
Actuarial Gains		
Inventories	2,616,889	(136,602)
Receivables from exchange transactions	(30,019,766)	(5,685,068)
Consumer debtors	(10,569,042)	(17,695,393)
Other receivables from non-exchange transactions	(5,181,290)	(4,753,967)
Payables from exchange transactions	39,749,447	30,343,109
VAT	750,161	4,277,576
Unspent conditional grants and receipts	18,388,887	(21,782,144)
Consumer deposits	87,770	98,811
	52,767,087	42,306,055

Modimolle Local Municipality

Financial Statements for the year ended 30 June, 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
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41. Mergers

Mergers occurring after the end the reporting period

On 10 August, 2016 a merger between Modimolle Local Municipality and Mookgopong Local Municipality took place establishing a new combining entity called LIM368 Local Municipality. This was due to new legislation which determined that Modimolle Local Municipality and Mookgopong Local Municipality assets and liabilities should be combined. No acquirer could be identified.

The new combining entity will acquire all the assets and liabilities as set out in the final financial statements for the two previous municipalities

Comparative information is not required to be restated or adjusted.

42. Contingencies

Pending Legal Cases:	Nature	2016	2015
Modimolle vs Farmers			
Mahumani Inc obo Alderson Family vs Modimolle - Allege compensation for expropriation of farms at Donkerpoort Dam		4,000,000	-
KC Joubert vs Modimolle - Labour dispute. no specific amount and awaiting date of hearing		1,200,000	-
IMATU and I Sithole vs Modimolle - Allege termination of temporary employment and order for re-employment of employees as permanent		4,452,678	-
Nkopodi Phatudi vs Modimolle - Alleged nonpayment of services rendered		1,335,750	1,335,750
CXMi (AL Energy) (Pty) Ltd vs Modimolle - Claim for loss of profit.		32,000,000	32,000,000
P Bezuidenhout vs DS Erasmus & Modimolle - Alleged Rent arrears		-	5,600
WJK Rademeyer vs Modimolle - Alleged damage suffered as result of the Municipal failure to fix the road/potholes		-	8,432
Mellampus vs Modimolle Local Municipality - Municipality must apply for eviction of illegal occupiers at Vaalwater		1,800,000	-
JB Pienaar vs Modimolle - Legal Cost		-	22,000
Klub Lekkerus/Libertas vs Modimolle - Refund of erroneous payments		-	45,392
Bakgalaka-Holdings Moretele JV vs Modimolle - Nonpayment of services rendered		-	1,971,008
Telkom SA SOC Ltd vs Modimolle - Alleged Cable Damage		-	564,640
NL Makoko vs Modimolle - Alleged damage suffered as a result of the collusion		-	11,837
M Mamabolo vs JA Edwards & Modimolle - Alleged damage suffered as a result of a motor vehicle collision caused by our employee		-	15,834
Helen West - Allege malfunctioning of electricity meters to overcharging		19,897	-
Lesperance Sebenzani Joint vs Modimolle - Alleged termination of contract without following the prescribed procedure		4,654,022	4,654,022
Moenda vs Modimolle - Alleged claim for damages		-	39,160
Arabest 121 CC vs Modimolle Local Municipality - Allege termination of contract without following the proper procedure and or provision of the contract regarding termination		35,849,535	-
NJ Moagi vs Modimolle Local Municipality - Allege claim for defamation of character		1,500,000	-
Balimi Barul Trading vs Modimolle Local Municipality - Allege claim for service rendered		10,960,676	-
N Maluleka vs Modimolle Local Municipality - Allege retrospective payment of travel allowance		185,000	-
Tlou E Kgolo Construction vs Modimolle Local Municipality - Allege non-payment of outstanding retention		78,890	-
		98,036,448	40,673,675

43. Prior period errors

Modimolle Local Municipality

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43. Prior period errors (continued)

The correction of the error(s) results in adjustments as follows:

Statement of financial position

Property, Plant and Equipment

Balance as at 30 June 2015 on 2014/2015 Financial Statement	-	892,234,153
Increase of Other PPE - Overstatement of depreciation due to the overstatement of the cost of the asset	-	19,101
Decrease of Other PPE - Overstatement of Vehicle cost corrected	-	(114,000)
Increase of Other PPE - Correction of newly identified assets not previously recognised	-	2,427,702
Decrease of Other PPE - Reclassification of asset to Heritage Asset	-	(826)
Increase of Other PPE - Depreciation previously recognised	-	6,405
Increase of Other PPE and Community - Correction of depreciation previously overstated	-	569,971

Restated Balance of Property, Plant and Equipment

-	895,142,506
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Payables from Exchange Transactions

Balance as at 30 June 2015 on 2014/2015 Financial Statement	-	64,759,834
Increase of Trade Payables - Agency Services creditor not previously recognised	-	2,395,996
Increase of Employee Related cost - Continuous Medical Aid Payment not previously recognised as expenditure	-	378,057

Restated Balance of Payables from Exchange Transactions

-	67,533,887
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Heritage Assets

Increase on Heritage Assets - Classification from Other PPE	-	826
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Cash and Cash Equivalents

Balance as at 30 June 2015 on 2014/2015 Financial Statement	-	13,461,292
Increase of Cash - Vehicles cost price overstated	-	114,000
Increase of Cash - Bursary expense reversed	-	3,000

Restated Balance Cash and Cash Equivalents

-	13,578,292
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Net assets - Accumulated Surplus

Balance as at 30 June 2015 on 2014/2015 Financial Statement	-	854,671,093
Decrease in Depreciation - Department of Transport outstanding payments not accounted as creditor	-	(2,395,996)
Decrease in Depreciation - Depreciation previously overstated for vehicles	-	569,971
Decrease in Depreciation - Depreciation previously overstated for vehicles	-	6,405
Decrease in Depreciation - Depreciation previously overstated for vehicles due to cost being overstated	-	19,101
Decrease in General Expenditure - Bursary payment cancelled	-	3,000
Decrease in Net Asset from newly identified assets not previously recognised as Assets	-	2,427,702
Increase in General Expenditure from continuous members medical aid not recognised as expenditure in the 2013/2014 financial year	-	(378,057)

Restated Balance of Net Assets - Accumulated Surplus

-	854,923,219
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Modimolle Local Municipality

Financial Statements for the year ended 30 June, 2016

Notes to the Financial Statements

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43. Prior period errors (continued)

Statement of financial performance

Balance as at 30 June 2015 on 2014/2015 Financial Statement	-	(29,771,597)
Decrease of Agency Services - Department of Transport not recognised as a creditor	-	(2,395,996)
Decrease of Depreciation - Previous overstatement of depreciation	-	576,376
Decrease of Depreciation - Depreciation overstated due to vehicles cost overstated	-	19,101
Decrease of General Expenditure - Bursary payment reversed	-	3,000
Restated balance of the Statement of Financial Performance	-	<u>(31,569,116)</u>

Cash flow statement

Cash flow from operating activities

Balance as at 30 June 2015 on 2014/15 Financial Statement	-	41,924,998
Correction on Other Expenditure	-	378,057
Restated Balance for Cash flow from operating activities	-	<u>42,303,055</u>

Cash flow from investing activities

Balance as at 30 June 2015 on 2014/15 Financial Statement	-	61,650,820
Correction on Purchase Property, Plant and Equipment	-	(114,000)
Restated Balance for Cash Flow from Investing Activities	-	<u>61,536,820</u>

Cash flow from financing activities

Balance as at 30 June 2015 on 2014/15 Financial Statement	-	1,581,663
Correction on other Liabilities	-	378,057
	-	<u>1,959,720</u>

Modimolle Local Municipality

Financial Statements for the year ended 30 June, 2016

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44. Risk management

Liquidity risk

Liquidity risk is the risk that the municipality will encounter difficulty in raising funds to meet commitments associated with financial liabilities.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

The financial liabilities of the municipality are backed by appropriate assets and it has adequate liquid resources. The Council monitors the cash projections.

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Modimolle Municipality	2016 Short-Term Portion	2016 Long-Term Portion	2015 Short-Term Portion	2015 Long-Term Portion
Trade and other payables	107,283,335	-	64,759,834	-
Consumer Deposit	3,854,940	-	3,767,170	-
Unspent Grants	20,074,465	-	1,685,578	-
Borrowings	276,908	150,942	394,193	981,567
Finance leases	-	-	1,451,416	-
Employee Benefit Obligation	786,468	31,882,517	751,428	29,143,750
Provisions	788,596	38,183,189	613,119	39,115,793
	133,064,712	70,216,648	73,422,738	69,241,110

Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

At year end, financial instruments exposed to interest rate risk were as follows:

- * Call Deposits
- * Notice Deposits
- * Development Bank of South Africa loans

Modimolle Local Municipality

Financial Statements for the year ended 30 June, 2016

Notes to the Financial Statements

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44. Risk management (continued)

Credit risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge a obligation and cause the Municipality to incur financial loss.

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. Grants are receivable from higher order levels of government. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. This increases the credit risk in respect of consumer debtors. The risk of non-payment is managed on an ongoing basis and where practical, services are terminated and procedures applied to recover outstanding amounts owing and an appropriate level of impairment provisions for default is maintained.

Trade and other debtors are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Credit risk pertaining to trade and other debtors is considered to be moderate due to the diversified nature of debtors and immaterial nature of individual balances.

No trade and other receivables are pledged as security for financial liabilities.

Due to the short term nature of trade and other receivables the carrying value disclosed in note 10 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at 12.65% where applicable.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2016	2015
Non Current Investments	119,089	117,955
Receivables from exchange transactions	107,399,591	77,379,825
Cash and cash equivalents	29,656,183	13,461,292
Investments	900,000	4,056,573

The provision for bad debts could be allocated between the different classes of debtors as follows:

Modimolle Municipality	2016 %	2016	2015 Percentage	2015 Amount
Electricity	9 %	3,793,104	10 %	3,168,348
Water	39 %	16,379,812	37 %	12,141,836
Refuse	8 %	3,646,848	9 %	3,075,745
VAT	11 %	4,477,047	16 %	5,226,688
Other	33 %	14,154,719	28 %	9,477,151
	100 %	42,451,530	100 %	33,089,768

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there is no expectation of counter party default.

45. Going concern

We draw attention to the fact that at 30 June, 2016, the municipality had accumulated surplus of R 831,202,840 and that the municipality's total assets exceed its liabilities by R 831,686,103.

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Modimolle Local Municipality

Financial Statements for the year ended 30 June, 2016

Notes to the Financial Statements

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46. Unauthorised expenditure

Opening Balance	51,135,399	27,333,108
Unauthorised expenditure for the current year	9,855,538	23,802,291
	60,990,937	51,135,399

The unauthorised expenditure for the current year is largely due to the Councillors Remuneration, Contracted Services, Finance Charges and Inventory write down.

47. Fruitless and wasteful expenditure

Opening Balance	868,945	516,540
Fruitless and wasteful expenditure for the current year	2,403,346	352,405
	3,272,291	868,945

This expenditure is under investigation. The decision whether the expenditure / losses are recoverable, any criminal or disciplinary steps to be taken and material losses recovered or written off is pending the investigation by the Municipal Public Accounts Committee.

48. Irregular expenditure

Opening balance	65,365,056	23,785,003
Add: Irregular Expenditure - current year	3,020,902	41,580,053
	68,385,958	65,365,056

The municipality is investigating possible instances of irregular expenditure which has not been included in the amount disclosed above. The full extent of irregularity would only be known at the conclusion of this investigations. The amount disclosed above may change based on the outcome of these investigations.

Modimolle Local Municipality

Financial Statements for the year ended 30 June, 2016

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49. Additional disclosure in terms of Municipal Finance Management Act

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June, 2016:

30 June, 2016	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor MS Olifant	255	-	255
Councillor RP Mashaba	43	-	43
Councillor WL Botes	380	-	380
Councillor SJ Moropene	24	-	24
Councillor MS Motshegoa	154	-	154
Councillor MC Laubscher	4,055	-	4,055
	4,911	-	4,911

30 June, 2015	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor MF Marutha	160	-	160
Councillor MS Olifant	1,211	362	1,573
Councillor G Ferreira	392	-	392
Councillor RP Mashaba	31	-	31
Councillor WL Botes	320	-	320
Councillor SJ Moropene	119	-	119
Councillor MS Motshegoa	341	-	341
Councillor SD Sebelebele	280	967	1,247
Councillor J Nel	5	-	5
Councillor MS Ledwaba	196	-	196
	3,055	1,329	4,384

During the year the following Councillors' had arrear accounts outstanding for less than 90 days.

30 June 2016	Current	30 Days
Councillor MS Olifant	255	-
Councillor RP Mashaba	43	-
Councillor WL Botes	380	-
Councillor MS Motshegoa	154	-
Councillor SJ Moropene	24	-
Councillor MS Laubscher	4,055	-
	4,911	-

30 June 2015	Current	30 Days
Councillor MF Marutha	87	73
Councillor G Ferreira	379	13
Councillor RP Mashaba	31	-
Councillor WL Botes	320	-
Councillor SJ Moropene	115	5
Councillor MS Motshegoa	331	10
Councillor MS Olifant	684	218
Councillor J Nel	5	-
Councillor SD Sebelebele	94	93
Councillor MS Ledwana	92	96
	2,138	508

Modimolle Local Municipality

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50. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the financial statements.

Goods and services were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

Deviations for the 2015/2016 financial year amounted to R0

Reasons for Deviation

Sole Provider	-	783,747
Urgent Requests	-	442,386
Special Circumstances	-	285,535
	<u>-</u>	<u>1,511,668</u>

51. Budget differences

Material differences between budget and actual amounts

The excess of actual revenue and expenditure over the final budget of 10% will be explained below.

Modimolle Local Municipality

Financial Statements for the year ended 30 June, 2016

Notes to the Financial Statements

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Budget differences (continued)

Discription	Budget	Adjustment Budget	Actual	Variance	% Variance
Revenue					
Property Rates	31,800,000	30,330,000	29,100,733	(1,229,267)	(4)%
Service Charges - Electricity	97,596,000	99,996,000	93,944,903	(6,051,097)	(6)%
Service Charges - Water	41,250,000	41,250,000	38,743,786	(2,506,214)	(6)%
Service Charges - Sanitation	11,660,000	11,760,000	11,918,360	158,360	1 %
Service Charges - Refuse Removal	9,804,000	7,804,000	7,450,086	(353,914)	(5)%
Rental of facilities and equipment	232,586	312,586	11,397	(301,189)	(42)%
Interest Earned - External Investments	2,212,000	600,000	1,184,448	584,448	97 %
Interest Earned - Outstanding Debtors	9,328,000	12,628,000	13,484,923	856,923	7 %
Fines	801,000	101,000	152,770	51,770	51 %
Agency Services	3,700,000	3,700,000	566,106	(3,133,894)	(85)%
Transfers Recognised - Operational	65,121,751	65,121,751	64,863,779	(257,972)	- %
Transfers Recognised - Capital	31,731,250	61,731,250	42,084,334	(19,646,916)	(32)%
Other Revenue	6,973,349	10,293,349	5,146,252	(5,147,097)	(50)%
Subtotal	312,209,936	345,627,936	308,651,877	(36,976,059)	2
Expenditure					
Employee Related Cost	(118,340,624)	(116,986,073)	(108,657,756)	8,328,317	(7)%
Remuneration of Councillors	(6,643,200)	(6,608,650)	(6,665,105)	(56,455)	1 %
Debt Impairment	(15,900,000)	(20,900,000)	(10,569,042)	10,330,958	(49)%
Depreciation and Asset Impairment	(32,439,238)	(55,239,621)	(46,811,127)	8,428,494	(15)%
Finance Charges	(3,682,000)	(3,660,000)	(3,789,498)	(129,498)	4 %
Bulk Purchases	(100,275,000)	(100,275,000)	(107,599,043)	(7,324,043)	7 %
Other Materials	(10,987,978)	(9,660,553)	(7,012,815)	2,647,738	(27)%
Contracted Services	(9,023,500)	(10,423,500)	(11,646,625)	(1,223,125)	12 %
Other Expenditure	(38,447,329)	(36,200,421)	(28,668,824)	7,531,597	(21)%
Loss on Disposal of Assets	-	-	(1,122,417)	(1,122,417)	100 %
Subtotal	(335,738,869)	(359,953,818)	(332,542,252)	27,411,566	(6)%
	(23,528,933)	(14,325,882)	(26,162,065)	11,836,183	(66)%

Details on Material Variances - Revenue

1. Rental of facilities and equipment is less than anticipated.
2. Interest earned on Investment is due to the capital grants being spent later than anticipated.
3. Fines less than anticipated during the budget process.
4. Other Revenue is less than anticipated due to sundry revenue not received as anticipated.
6. Transfers recognised for capital is less than anticipated due to the capital program not being fully implemented.
7. Agency Services is less than anticipated during the budget process..

Details on Material Variances - Expenditure

1. Debt Impairment is less than anticipated during the budget process
2. Finance cost related to the provision of post retirement benefits and long service awards was less than anticipated.
3. Contracted services is over the budget amount due to the security services and legal fees being more than anticipated.
4. Other Materials is less than anticipated due to the municipalities cashflow situation.

Modimolle Local Municipality

Financial Statements for the year ended 30 June, 2016

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Budget differences (continued)

5. Other Expenditure is under spent due to the municipalities cashflow situation.
6. Depreciation is less than anticipated during the budget process.
7. The municipality did not budget for the loss on disposal of assets as it was unknown during the budget process.

52. Interest earned - outstanding receivables

Consumer debtors	13,484,923	9,201,453
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53. Distribution Losses

Water Losses	2016	2015
Average % Loss	22.51 %	30.07 %

Electricity Losses	2016	2015
Average % Loss	32.67 %	26.65 %

54. Commitments

Description

Modimolle Waste Water Treatment Plant	837,398	24,301,479
Rehabilitation of Lilian Ngoyi	31,542	3,628,300
Limpopo Low Level Bridge	914,813	-
Bathathu Risk Solutions	1,891,308	1,528,382
Price Waterhouse Coopers	822,742	1,352,914
HP	-	2,954
	4,497,803	30,814,029

55. Related Parties

Related parties relates to Senior Management (Note 30) and Councillors (Note 31).

Modimolle Local Municipality

Appendix A

June 2016

Schedule of external loans as at 30 June 2016

Loan Number	Redeemable	Balance at 30 June, 2015	Received during the period	Redeemed written off during the period	Balance at 30 June, 2016	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand		
Development Bank of South Africa							
DBSA	10467	674,087	-	246,238	427,849	-	-
DBSA	13537	701,672	-	701,672	-	-	-
		1,375,759	-	947,910	427,849	-	-
Bonds							
Other loans							
Lease liability							
Annuity loans							
Government loans							
Total external loans							
Development Bank of South Africa		1,375,759	-	947,910	427,849	-	-
		1,375,759	-	947,910	427,849	-	-

June 2016

Opening Balance Rand	Additions Rand	Disposals / Transfers Rand	WIP Release Rand	Correction of Error Rand	WIP Rand	Closing Balance Rand	Opening Balance Rand	Disposals / Transfers Rand	Correction of Error Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
372,272,285	-	-	-	-	-	372,272,285	-	-	-	-	-	-	372,272,285
34,706,154	1,085,657	(2,334,763)	-	-	-	33,457,048	(23,274,948)	-	-	(3,303,687)	-	(26,578,635)	6,878,413
52,665,609	386,420	420	(386,420)	-	-	52,666,029	(18,331,091)	-	-	(2,385,799)	(105,116)	(20,822,006)	31,844,023
459,644,048	1,472,077	(2,334,343)	(386,420)	-	-	458,395,362	(41,606,039)	-	-	(5,689,486)	(105,116)	(47,400,641)	410,994,721
262,184,315	6,088,505	(150,984)	(2,476,993)	-	1,329,895	266,974,738	(72,695,253)	128,614	-	(12,345,885)	(68,500)	(84,981,024)	181,993,714
104,070,214	-	-	-	-	9,094,249	113,164,463	(26,132,032)	-	-	(3,480,245)	-	(29,612,277)	83,552,186
1,228,239	-	-	-	-	-	1,228,239	(237,686)	-	-	(86,135)	-	(323,821)	904,418
120,853,785	665,569	-	(665,569)	-	-	120,853,785	(40,664,555)	-	-	(6,001,222)	-	(46,665,777)	74,188,008
119,178,530	49,986,963	-	(28,401,582)	-	-	140,763,911	(24,022,508)	-	-	(5,954,041)	(7,425,035)	(37,401,584)	103,362,327
607,515,083	56,741,037	(150,984)	(31,544,144)	-	10,424,144	642,985,136	(163,752,034)	128,614	-	(27,867,528)	(7,493,535)	(198,984,483)	444,000,653
16,327,112	825,162	-	-	-	-	17,152,274	(4,699,122)	-	(718)	(709,098)	(1,135,831)	(6,544,769)	10,607,505
12,642,699	-	-	-	-	966,818	13,609,517	(4,400,672)	-	-	(698,897)	-	(5,099,569)	8,509,948
28,969,811	825,162	-	-	-	966,818	30,761,791	(9,099,794)	-	(718)	(1,407,995)	(1,135,831)	(11,644,338)	19,117,453

June 2016

Analysis of property, plant and equipment as at 30 June 2016

Heritage assets

Other	826	-	-	-	-	-	826	-	-	-	-	-	-	826
	826	-	-	-	-	-	826	-	-	-	-	-	-	826

Specialised vehicles

Other assets

General vehicles	5,626,770	-	-	-	-	-	5,626,770	(1,782,413)	-	-	(498,319)	(897)	(2,281,629)	3,345,141
Plant & equipment	1,969,781	-	-	-	-	-	1,969,781	(960,698)	-	-	(252,189)	-	(1,212,887)	756,894
Furniture & Fittings	2,615,338	-	-	-	-	-	2,615,338	(1,790,568)	-	-	(323,519)	(6,178)	(2,120,265)	495,073
Office Equipment	2,809,793	15,990	-	-	-	-	2,825,783	(1,636,064)	-	-	(339,456)	(1,290)	(1,976,810)	848,973
Office Equipment - Leased	5,271,609	-	-	-	-	-	5,271,609	(4,178,780)	-	-	(1,054,322)	(29,607)	(5,262,709)	8,900
Library Books	1,395,918	-	-	-	-	-	1,395,918	(829,657)	-	-	(161,161)	-	(990,818)	405,100
Other buildings	6,991,562	-	(420)	-	-	-	6,991,142	(2,051,524)	-	-	(294,481)	(5,841)	(2,351,846)	4,639,296
Housing	53,299	-	-	-	-	-	53,299	(32,058)	-	-	(2,465)	-	(34,523)	18,776
	26,734,070	15,990	(420)	-	-	-	26,749,640	(13,261,762)	-	-	(2,925,912)	(43,813)	(16,231,487)	10,518,153

Modimolle Local Municipality
Modimolle Local Municipality
Appendix B

Analysis of property, plant and equipment as at 30 June 2015	
Cost/Revaluation	Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals/Tra nsfers Rand	WIP Release Rand	Correction of Error Rand	WIP Rand	Closing Balance Rand	Opening Balance Rand	Disposals/Tra nsfers Rand	Correction of Error Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	372,280,413	-	-	-	(8,128)	-	372,272,285	-	-	-	-	-	-	372,272,285
Landfill Sites (Separate for AFS purposes)	18,456,904	16,249,250	-	-	-	-	34,706,154	(9,191,241)	-	-	(14,083,707)	-	(23,274,948)	11,431,206
Buildings (Separate for AFS purposes)	52,279,189	-	-	-	-	386,420	52,665,609	(15,854,097)	-	-	(2,476,994)	-	(18,331,091)	34,334,518
	443,016,506	16,249,250	-	-	(8,128)	386,420	459,644,048	(25,045,338)	-	-	(16,560,701)	-	(41,606,039)	418,038,009
Infrastructure														
Roads and Stormwater Network	243,667,470	29,712,649	2,715,618	(24,565,036)	1,932,652	8,720,962	262,184,315	(60,111,608)	-	-	(12,241,330)	(342,315)	(72,695,253)	189,489,062
Electricity network	105,863,519	12,612,204	-	(18,819,839)	-	4,414,330	104,070,214	(22,403,751)	-	-	(3,693,465)	(34,816)	(26,132,032)	77,938,182
Electricity supply network	1,228,239	-	-	-	-	-	1,228,239	(151,551)	-	-	(86,135)	-	(237,686)	990,553
Water supply network	120,231,663	488,630	-	(188,989)	-	322,482	120,853,786	(34,305,100)	-	-	(6,359,455)	-	(40,664,555)	80,189,231
Sanitation network	94,542,177	196,718	-	-	-	24,439,635	119,178,530	(17,791,895)	-	-	(6,230,613)	-	(24,022,508)	95,156,022
	565,533,068	43,010,201	2,715,618	(43,573,864)	1,932,652	37,897,409	607,515,084	(134,763,905)	-	-	(28,610,998)	(377,131)	(163,752,034)	443,763,050
Community Assets														
Community halls	13,117,541	3,209,571	-	-	-	-	16,327,112	(4,079,855)	-	-	(619,267)	-	(4,699,122)	11,627,990
Recreational facilities	11,376,606	1,266,093	-	-	-	-	12,642,699	(3,721,560)	-	-	(679,112)	-	(4,400,672)	8,242,027
	24,494,147	4,475,664	-	-	-	-	28,969,811	(7,801,415)	-	-	(1,298,379)	-	(9,099,794)	19,870,017

June 2016

Analysis of property, plant and equipment as at 30 June 2015

Heritage assets

Other	-	-	826	-	-	-	826	-	-	-	-	-	-	826
	-	-	826	-	-	-	826	-	-	-	-	-	-	826

Specialised vehicles

Other assets

General vehicles	3,618,700	856,493	(556,594)	-	1,708,171	-	5,626,770	(2,259,337)	359,880	595,889	(404,830)	(74,015)	(1,782,413)	3,844,357
Plant & equipment	1,153,995	656,840	-	-	158,946	-	1,969,781	(717,023)	-	-	(234,149)	(9,526)	(960,698)	1,009,083
Furniture & Fittings	2,295,382	168,495	(826)	-	152,287	-	2,615,338	(1,465,841)	-	59	(315,885)	(8,901)	(1,790,568)	824,770
Office Equipment	2,153,202	374,229	-	-	282,362	-	2,809,793	(1,303,422)	-	248	(323,687)	(9,203)	(1,636,064)	1,173,729
Office Equipment - Leased	5,271,609	-	-	-	-	-	5,271,609	(3,124,458)	-	-	(1,054,322)	-	(4,178,780)	1,092,829
Library books	1,395,918	-	-	-	-	-	1,395,918	(666,127)	-	-	(163,530)	-	(829,657)	566,261
Other buildings	12,713,857	126,352	(2,715,618)	(4,559,347)	-	1,426,318	6,991,562	(1,747,628)	-	-	(303,896)	-	(2,051,524)	4,940,038
Housing	53,299	-	-	-	-	-	53,299	(29,593)	-	-	(2,465)	-	(32,058)	21,241
	28,655,962	2,182,409	(3,273,038)	(4,559,347)	2,301,766	1,426,318	26,734,070	(11,313,429)	359,880	596,196	(2,802,764)	(101,645)	(13,261,762)	13,472,308

Modimolle Local Municipality

Appendix F

Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

June 2016

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies delayed / withheld				Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act
		Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun		Yes/ No
MIG		9,236	8,370	35,269	-	2,344	17,342	3,260	10,023	-	-	-	-		Yes
FMG		1,675	-	-	-	208	240	105	1,122	-	-	-	-		Yes
MSIG		930	-	-	-	84	120	60	666	-	-	-	-		Yes
INEG		5,900	4,100	-	-	927	7,578	1,451	44	-	-	-	-		Yes
EPWP		639	480	479	-	123	263	705	507	-	-	-	-		Yes
		18,380	12,950	35,748	-	3,686	25,543	5,581	12,362	-	-	-	-		

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.

Modimolle Local Municipality

Appendix G1

Budgeted Financial Performance (revenue and expenditure by standard classification) for the year ended 30 June, 2016

	2016/2015								2015/2014						
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget Rand	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue - Standard															
Governance and administration	81,308,929	4,208,000	85,516,929	-		85,516,929	82,010,084		(3,506,845)	96 %	101 %				78,670,920
Executive and council	10,208,948	-	10,208,948	-		10,208,948	10,163,182		(45,766)	100 %	100 %				9,604,789
Budget and treasury office	70,473,171	348,000	70,821,171	-		70,821,171	71,302,917		481,746	101 %	101 %				68,446,882
Corporate services	626,810	3,860,000	4,486,810	-		4,486,810	543,985		(3,942,825)	12 %	87 %				619,249
Community and public safety	7,257,578	(655,000)	6,602,578	-		6,602,578	4,465,673		(2,136,905)	68 %	62 %				4,674,650
Community and social services	293,948	45,000	338,948	-		338,948	320,879		(18,069)	95 %	109 %				325,898
Sport and recreation	3,438,250	-	3,438,250	-		3,438,250	1,972,852		(1,465,398)	57 %	57 %				1,648,943
Public safety	3,525,380	(700,000)	2,825,380	-		2,825,380	2,171,942		(653,438)	77 %	62 %				2,699,809
Housing	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Health	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Economic and environmental services	7,964,415	15,468,713	23,433,128	-		23,433,128	8,363,929		(15,069,199)	36 %	105 %				16,513,678
Planning and development	1,330,165	15,000	1,345,165	-		1,345,165	1,083,686		(261,479)	81 %	81 %				1,637,980
Road transport	6,634,250	15,453,713	22,087,963	-		22,087,963	7,280,243		(14,807,720)	33 %	110 %				14,875,698
Environmental protection	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Trading services	215,679,014	14,396,287	230,075,301	-		230,075,301	213,982,192		(16,093,109)	93 %	99 %				193,406,927
Electricity	121,600,244	1,750,000	123,350,244	-		123,350,244	116,369,514		(6,980,730)	94 %	96 %				99,033,328
Water	47,777,430	6,200,000	53,977,430	-		53,977,430	45,271,216		(8,706,214)	84 %	95 %				46,236,232
Waste water management	32,293,150	10,044,287	42,337,437	-		42,337,437	42,285,187		(52,250)	100 %	131 %				36,778,548
Waste management	14,008,190	(3,598,000)	10,410,190	-		10,410,190	10,056,275		(353,915)	97 %	72 %				11,358,819
Other	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Other	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Total Revenue - Standard	312,209,936	33,418,000	345,627,936	-		345,627,936	308,821,878		(36,806,058)	89 %	99 %				293,266,175

Modimolle Local Municipality

Appendix G1

Budgeted Financial Performance (revenue and expenditure by standard classification) for the year ended 30 June, 2016

	2016/2015							2015/2014							
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Budget Rand	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand		Rand	Rand	Rand	Rand	Rand	Rand
Expenditure - Standard															
Governance and administration	80,290,081	13,964,064	94,254,145	-	-	94,254,145	80,323,469	-	(13,930,676)	85 %	100 %	-	-	-	91,243,910
Executive and council	39,960,919	12,490,464	52,451,383	-	-	52,451,383	40,837,690	-	(11,613,693)	78 %	102 %	-	-	-	52,445,408
Budget and treasury office	21,947,449	732,300	22,679,749	-	-	22,679,749	20,581,166	-	(2,098,583)	91 %	94 %	-	-	-	21,552,895
Corporate services	18,381,713	741,300	19,123,013	-	-	19,123,013	18,904,613	-	(218,400)	99 %	103 %	-	-	-	17,245,607
Community and public safety	33,533,113	(2,459,198)	31,073,915	-	-	31,073,915	27,436,388	-	(3,637,527)	88 %	82 %	-	-	-	27,587,151
Community and social services	18,025,368	(1,775,587)	16,249,781	-	-	16,249,781	12,588,363	-	(3,661,418)	77 %	70 %	-	-	-	14,457,971
Sport and recreation	7,921,996	(193,554)	7,728,442	-	-	7,728,442	8,381,122	-	652,680	108 %	106 %	-	-	-	6,723,465
Public safety	7,585,749	(490,057)	7,095,692	-	-	7,095,692	6,466,903	-	(628,789)	91 %	85 %	-	-	-	6,405,715
Housing	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Health	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Economic and environmental services	43,681,386	1,501,945	45,183,331	-	-	45,183,331	40,500,257	-	(4,683,074)	90 %	93 %	-	-	-	39,937,331
Planning and development	12,936,112	(1,074,900)	11,861,212	-	-	11,861,212	9,539,249	-	(2,321,963)	80 %	74 %	-	-	-	9,331,004
Road transport	30,745,274	2,576,845	33,322,119	-	-	33,322,119	30,961,008	-	(2,361,111)	93 %	101 %	-	-	-	30,606,327
Environmental protection	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Trading services	178,234,289	11,208,138	189,442,427	-	-	189,442,427	184,282,138	-	(5,160,289)	97 %	103 %	-	-	-	164,283,905
Electricity	118,608,488	1,046,200	119,654,688	-	-	119,654,688	121,232,932	-	1,578,244	101 %	102 %	-	-	-	103,161,949
Water	35,283,933	800,400	36,084,333	-	-	36,084,333	37,438,585	-	1,354,252	104 %	106 %	-	-	-	33,970,309
Waste water management	10,400,084	3,848,058	14,248,142	-	-	14,248,142	6,918,258	-	(7,329,884)	49 %	67 %	-	-	-	13,629,088
Waste management	13,941,784	5,513,480	19,455,264	-	-	19,455,264	18,692,363	-	(762,901)	96 %	134 %	-	-	-	13,522,559
Other	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Total Expenditure - Standard	335,738,869	24,214,949	359,953,818	-	-	359,953,818	332,542,252	-	(27,411,566)	92 %	99 %	-	-	-	323,052,297
Surplus/(Deficit) for the year	(23,528,933)	9,203,051	(14,325,882)	-		(14,325,882)	(23,720,374)		(9,394,492)	166 %	101 %				(29,786,122)

Modimolle Local Municipality
Appendix G2
Budgeted Financial Performance (revenue and expenditure by municipal vote)
for the year ended 30 June, 2016

	2016/2015										2015/2014				
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget Rand	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue by Vote															
Vote 1- Executive and Council	10,208,948	-	10,208,948	-		10,208,948	10,163,182		(45,766)	100 %	100 %				-
Vote 2 - Budget and Treasury	70,473,171	348,000	70,821,171	-		70,821,171	71,302,917		481,746	101 %	101 %				-
Vote 3 - Social Services	24,968,768	(4,253,000)	20,715,768	-		20,715,768	15,090,046		(5,625,722)	73 %	60 %				-
Vote 4 - Corporate Services	452,228	130,000	582,228	-		582,228	449,283		(132,945)	77 %	99 %				-
Vote 5 - Technical Services	205,920,406	37,178,000	243,098,406	-		243,098,406	211,618,543		(31,479,863)	87 %	103 %				-
Vote 6 - Planning and Development	186,415	15,000	201,415	-		201,415	197,907		(3,508)	98 %	106 %				-
Total Revenue by Vote	312,209,936	33,418,000	345,627,936	-		345,627,936	308,821,878		(36,806,058)	89 %	99 %				-
Expenditure by Vote to be appropriated															
Vote 1- Executive and Council	39,960,919	12,490,464	52,451,383	-	-	52,451,383	40,837,690	-	(11,613,693)	78 %	102 %	-	-	-	-
Vote 2 - Budget and Treasury	21,947,449	732,300	22,679,749	-	-	22,679,749	20,581,166	-	(2,098,583)	91 %	94 %	-	-	-	-
Vote 3 - Social Services	52,392,849	3,055,382	55,448,231	-	-	55,448,231	50,931,949	-	(4,516,282)	92 %	97 %	-	-	-	-
Vote 4 - Corporate Services	18,234,963	741,300	18,976,263	-	-	18,976,263	18,820,403	-	(155,860)	99 %	103 %	-	-	-	-
Vote 5 - Technical Services	191,884,177	7,840,403	199,724,580	-	-	199,724,580	192,924,074	-	(6,800,506)	97 %	101 %	-	-	-	-
Vote 6 - Planning and Development	11,318,512	(644,900)	10,673,612	-	-	10,673,612	8,446,971	-	(2,226,641)	79 %	75 %	-	-	-	-
Total Expenditure by Vote	335,738,869	24,214,949	359,953,818	-	-	359,953,818	332,542,253	-	(27,411,565)	92 %	99 %	-	-	-	-
Surplus/(Deficit) for the year	(23,528,933)	9,203,051	(14,325,882)	-		(14,325,882)	(23,720,375)		(9,394,493)	166 %	101 %				

Modimolle Local Municipality
Appendix G3
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June, 2016

	2016/2015							2015/2014							
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue By Source															
Property rates	31,800,000	(1,470,000)	30,330,000	-		30,330,000	29,100,733		(1,229,267)	96 %	92 %				30,372,063
Service charges - electricity revenue	97,596,000	2,400,000	99,996,000	-		99,996,000	93,944,903		(6,051,097)	94 %	96 %				79,782,710
Service charges - water revenue	41,250,000	-	41,250,000	-		41,250,000	38,743,786		(2,506,214)	94 %	94 %				35,980,509
Service charges - sanitation revenue	11,660,000	100,000	11,760,000	-		11,760,000	11,918,360		158,360	101 %	102 %				10,917,576
Service charges - refuse revenue	9,804,000	(2,000,000)	7,804,000	-		7,804,000	7,450,086		(353,914)	95 %	76 %				6,853,031
Rental of facilities and equipment	232,586	80,000	312,586	-		312,586	181,397		(131,189)	58 %	78 %				190,321
Interest earned - external investments	2,212,000	(1,612,000)	600,000	-		600,000	1,184,448		584,448	197 %	54 %				1,768,997
Interest earned - outstanding debtors	9,328,000	3,300,000	12,628,000	-		12,628,000	13,484,923		856,923	107 %	145 %				9,201,453
Fines	801,000	(700,000)	101,000	-		101,000	152,770		51,770	151 %	19 %				107,995
Agency services	3,700,000	-	3,700,000	-		3,700,000	566,106		(3,133,894)	15 %	15 %				1,545,309
Transfers recognised - operational	65,121,751	-	65,121,751	-		65,121,751	64,863,779		(257,972)	100 %	100 %				64,015,705
Other revenue	6,973,349	3,320,000	10,293,349	-		10,293,349	5,146,252		(5,147,097)	50 %	74 %				7,903,149
Total Revenue (excluding capital transfers and contributions)	280,478,686	3,418,000	283,896,686	-		283,896,686	266,737,543		(17,159,143)	94 %	95 %				247,749,239

Modimolle Local Municipality
Appendix G3
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June, 2016

	2016/2015								2015/2014						
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget Rand	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand

Modimolle Local Municipality

Appendix G4

Budgeted Capital Expenditure by vote, standard classification and funding for the year ended 30 June, 2016

	2016/2015								2015/2014						
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Capital expenditure - Vote															
Multi-year expenditure															
Vote 5 - Technical Services	27,800,000	30,950,000	58,750,000	-	-	58,750,000	35,289,147	-	(23,460,853)	60 %	127 %	-	-	-	-
Capital multi-year expenditure sub-total	27,800,000	30,950,000	58,750,000	-	-	58,750,000	35,289,147	-	(23,460,853)	60 %	127 %	-	-	-	-
Single-year expenditure															
Vote 2 - Budget and Treasury	30,000	-	30,000	-	-	30,000	-	-	(30,000)	- %	- %	-	-	-	-
Vote 3 - Social Services	3,581,250	40,000	3,621,250	-	-	3,621,250	1,791,981	-	(1,829,269)	49 %	50 %	-	-	-	-
Vote 4 - Corporate Services	25,000	43,000	68,000	-	-	68,000	15,990	-	(52,010)	24 %	64 %	-	-	-	-
Vote 5 - Technical Services	500,000	-	500,000	-	-	500,000	331,892	-	(168,108)	66 %	66 %	-	-	-	-
Capital single-year expenditure sub-total	4,136,250	83,000	4,219,250	-	-	4,219,250	2,139,863	-	(2,079,387)	51 %	52 %	-	-	-	-
Total Capital Expenditure - Vote	31,936,250	31,033,000	62,969,250	-	-	62,969,250	37,429,010	-	(25,540,240)	59 %	117 %	-	-	-	-

Modimolle Local Municipality
Appendix G4
Budgeted Capital Expenditure by vote, standard classification and funding
for the year ended 30 June, 2016

	2016/2015								2015/2014						
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget Rand	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Capital Expenditure - Standard															
Governance and administration	55,000	43,000	98,000	-	-	98,000	15,990	-	(82,010)	16 %	29 %	-	-	-	-
Budget and treasury office	30,000	-	30,000	-	-	30,000	-	-	(30,000)	- %	- %	-	-	-	-
Corporate services	25,000	43,000	68,000	-	-	68,000	15,990	-	(52,010)	24 %	64 %	-	-	-	-
Community and public safety	3,581,250	40,000	3,621,250	-	-	3,621,250	1,791,981	-	(1,829,269)	49 %	50 %	-	-	-	-
Sport and recreation	3,581,250	40,000	3,621,250	-	-	3,621,250	1,791,981	-	(1,829,269)	49 %	50 %	-	-	-	-
Economic and environmental services	2,931,250	14,805,713	17,736,963	-	-	17,736,963	4,597,666	-	(13,139,297)	26 %	157 %	-	-	-	-
Road transport	2,931,250	14,805,713	17,736,963	-	-	17,736,963	4,597,666	-	(13,139,297)	26 %	157 %	-	-	-	-
Trading services	25,368,750	16,144,287	41,513,037	-	-	41,513,037	31,023,373	-	(10,489,664)	75 %	122 %	-	-	-	-
Electricity	10,500,000	-	10,500,000	-	-	10,500,000	9,426,142	-	(1,073,858)	90 %	90 %	-	-	-	-
Water	-	6,200,000	6,200,000	-	-	6,200,000	-	-	(6,200,000)	- %	DIV/0 %	-	-	-	-
Waste water management	14,868,750	9,944,287	24,813,037	-	-	24,813,037	21,597,231	-	(3,215,806)	87 %	145 %	-	-	-	-
Total Capital Expenditure - Standard	31,936,250	31,033,000	62,969,250	-	-	62,969,250	37,429,010	-	(25,540,240)	59 %	117 %	-	-	-	-
Funded by:															
National Government	31,731,250	30,000,000	61,731,250	-		61,731,250	37,413,020		(24,318,230)	61 %	118 %				-
Transfers recognised - capital	31,731,250	30,000,000	61,731,250	-		61,731,250	37,413,020		(24,318,230)	61 %	118 %				-
Internally generated funds	205,000	1,033,000	1,238,000	-		1,238,000	15,990		(1,222,010)	1 %	8 %				-
Total Capital Funding	31,936,250	31,033,000	62,969,250	-		62,969,250	37,429,010		(25,540,240)	59 %	117 %				-

Modimolle Local Municipality
Appendix G5
Budgeted Cash Flows
for the year ended 30 June, 2016

	2016/2015						2015		
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Final Budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget Rand	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand		Rand	Rand	Rand
Cash flow from operating activities									
Receipts									
Ratepayers and other	195,817,005	(21,525,100)	174,291,905	174,291,905	142,150,661	(32,141,244)	82 %	73 %	-
Government - operating	65,121,751	(1,516,000)	63,605,751	63,605,751	61,863,779	(1,741,972)	97 %	95 %	-
Government - capital	31,731,250	30,000,000	61,731,250	61,731,250	61,989,221	257,971	100 %	195 %	-
Interest	5,010,400	(622,000)	4,388,400	4,388,400	4,362,553	(25,847)	99 %	87 %	-
Dividends	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Payments									
Suppliers and employees	(264,774,567)	24,919,659	(239,854,908)	(239,854,908)	(220,349,221)	19,505,687	92 %	83 %	-
Finance charges	(502,000)	22,000	(480,000)	(480,000)	(249,906)	230,094	52 %	50 %	-
Transfers and Grants	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Net cash flow from/used operating activities	32,403,839	31,278,559	63,682,398	63,682,398	49,767,087	(13,915,311)	78 %	154 %	-
Cash flow from investing activities									
Receipts									
Proceeds on disposal of PPE	-	-	-	-	198,631	198,631	DIV/0 %	DIV/0 %	-
Decrease (increase) in non-current debtors	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Decrease (increase) other non-current receivables	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Decrease (increase) in non-current investments	-	3,112,538	3,112,538	3,112,538	3,135,223	22,685	101 %	DIV/0 %	-
Payments									
Capital assets	(31,936,260)	(31,033,000)	(62,969,260)	(62,969,260)	(37,623,724)	25,345,536	60 %	118 %	-
Net cash flow from/used investing activities	(31,936,260)	(27,920,462)	(59,856,722)	(59,856,722)	(34,289,870)	25,566,852	57 %	107 %	-
Cash flow from financing activities									
Receipts									
Short term loans	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Borrowing long term/refinancing	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Increase (decrease) in consumer deposits	100,000	-	100,000	100,000	-	(100,000)	- %	- %	-
Payments									
Repayment of borrowing	(1,424,643)	(974,700)	(2,399,343)	(2,399,343)	(2,399,326)	17	100 %	168 %	-
Net cash flow from/used financing activities	(1,324,643)	(974,700)	(2,299,343)	(2,299,343)	(2,399,326)	(99,983)	104 %	181 %	-
Net increase/(decrease) in cash held	(857,064)	2,383,397	1,526,333	1,526,333	13,077,891	11,551,558	857 %	(1,526)%	-
Cash/cash equivalents at the year begin:					13,578,291				13,578,292
Cash/cash equivalents at the year end:	(857,064)	2,383,397	1,526,333	1,526,333	26,656,182	11,551,558	1,746 %	(3,110)%	